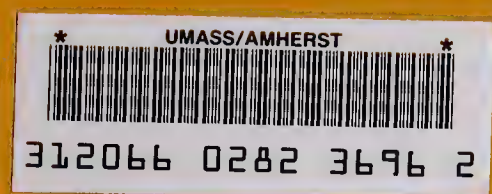


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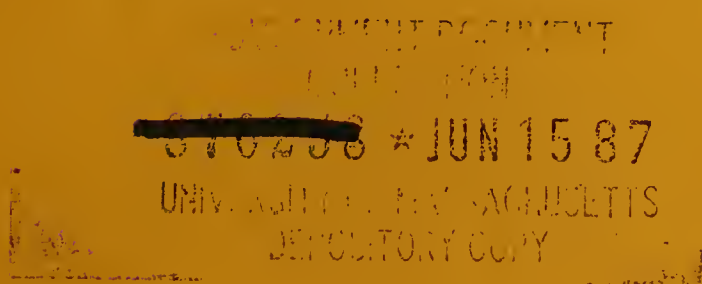
*Commonwealth of Massachusetts*

**PUBLIC EMPLOYEE  
PENSION REFORM ACT  
OF 1985**

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**PROPOSAL**

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**From the office of  
Representative Kevin P. Blanchette  
*House Chairman*  
*Joint Committee on Public Service***



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74

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75

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76

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77

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78

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79

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80

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81

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82

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83

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- 85 Revision C.32, s.25 (6)(a)  
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- 86 Revision C.32, s.26 (2)  
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- 88 Revision C.32, s.28 (4)(a)  
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Section

Intent

- 95                   Revision C.32, s.65D (d)  
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- 96                   Revision C.32, s.65D (e)  
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- 103                  Revision C.32, S.102 (c)  
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<u>Section</u>	<u>Intent</u>
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106	Revision C.32A, s.10 (Provides for retiree increase from \$2,000 to \$5,000 group life coverage for state employees)
107	Revision C.32A, s.10A (1) (Increases the amount of term life insurance which may be purchased by a state employee-- one to five times the amount of gross annual salary; allows contribution to be made on a pre-tax basis)
108	Revision C.32A, s.10A (5) (Change allows for the increased term life insurance option)
109	Revision C.32A, s.10A (6) (Change allows for the increased term life insurance option)
110	Revision C.32A, s.10D (Provides employee financed disability insurance with employee contributions made on a pre-tax basis)
110A	Revision C.32A, s.12 (To accommodate additional group life insurance for retired teachers)
111	Revision C.32A, s.17 (Provides dental/vision care insurance for certain non-collective bargaining personnel members, employees of general court)
112	Revision C.32B, s.4 (1) (Change allows additional group life insurance for local governments opting to provide)
113	Revision C.32B, s.4 (2) (Change allows additional group life/accidental death benefits for those local governments opting to provide)



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- 114                   Revision C.32B, s.5  
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- 115                   Revision C.32B. s.9  
(Change allows accidental group life/group  
accidental death insurance for those local  
governments opting to provide)
- 116                   Revision C.32B, s.9F  
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to increase the minimum amount of mandatory,  
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- 117                   Revision G.L. c.35, s.32A  
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- 117A                  Revision G.L. c.40, s.5D (1)  
(Clarifies status of local pension reserve  
funds)
- 118                   Revision G.L. C.40, s.5D (5)  
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- 119                   Revision G.L. C.41, s.111N  
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- 120                   Revision G.L. C.59, s.21C 1/2  
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- 121                   Revision G.L. C.111, s.203  
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- 122                   Revision G.L. C.138, s.21 (3) clause (a)  
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- 123                   Revision G.L. C.175, s.196  
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Section

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- 124 Special Commission to study incidence of cancer/obesity among police and firefighters
- 125 Tax-deferral of employee contributions
- 126 Authorizes local governmental units to issue bonds for pension purposes
- 127 Authorizes Treasurer to issue bonds to cover pension payments for the Commonwealth
- 128 Clarifies FY'86 budget levels for PRIM Board
- 129 Requires Commissioner of PERA to promulgate rules to implement the deferred-taxation contribution plan
- 130 Acceleration of funding schedule for state based on investment earnings above actuarial assumptions
- 131 Creates Social Security study commission

## SECTION-BY-SECTION ANALYSIS

<u>Section</u>	<u>Intent</u>
Section 1	Amends Ch.6, s.103, provides for the Retirement Law Commission to review the Administration and Finance's actuarial valuations and reports.
Section 2	Amends Ch.7, s.50 (1)(a), enhances legislative oversight of PERA regulations.
Section 3	Amends Ch.7, s.50 (2), corrects typographical error.
Section 4	Amends Ch.15, s.16, corrects typographical error.
Section 5	Amends Ch.29, s.6B (f), state's federal fringe recovery into commonwealth's pension liability fund, instead of state pension reserve.
Section 6	Amends Ch.31, s.39, gives civil service priority for any employment to an individual retired for disability and later found to be capable of re-employment.
Section 7	Adds to Ch.31, s.61A, the Department of Personnel Administration is required to establish by regulation after consultation with police and fire unions and the Massachusetts Municipal Association, entry level and in-service fitness exams and standards for police and firefighters hired after January 1, 1987; failure to pass an exam and two subsequent exams results in termination--will apply only in governmental units opting to provide fitness/wellness programs.
Section 8	Adds to Ch.31, s.61B, local option section for provision of fitness/wellness programs by cities and towns; programs to be in accordance with Department of Public Health regulations; Commonwealth to reimburse one half the cost.



<u>Section</u>	<u>Intent</u>
Section 9	Amends Ch.32, s.1, provides for gender-neutral mortality tables.
Section 10	Amends Ch.32, s.1, redefines "Board" to include PRIM and the Water Resources Authority.
Section 11	Adds to Ch. 32, s.1, definition of "Commonwealth Funding Schedule" to include 40 year amortization and normal cost-funding of state's pension obligations, including state's share of local costs, COLA's, etc. To be updated every three years by A & F, subject to legislative approval. Defines "Commonwealth's Pension Liability" to include those obligations to be met under Commonwealth's Funding Schedule. Also defines "Commonwealth's Pension Liability Fund"--to be repository of amounts appropriated pursuant to Commonwealth Funding Schedule.
Section 12	Adds to Ch.32, s.1, defining "Funding System" as any local system adopting an irrevocable funding schedule pursuant to s.22D.
Section 13	Amends Ch.32, s.1, defines "normal cost".
Section 14	Amends to Ch.32, s.1, technical change to accommodate change in Commonwealth's Pension Liability Fund.
Section 15	Amends Ch.32, s.1, by defining "Retirement System Funding Schedule" as 40-year amortization and normal cost schedule for local systems accepting section 22D; subject to approval/updating by PERA; to be filed with general court.
Section 16	Rewrites Ch.32, s.3 (2)(g), requires department heads to give timely information to retirement boards regarding the name, address, title, compensation, birth date and duties of all employees.
Section 17	Rewrites Ch.32, s.3 (7)(b), creates an exception to the current requirement that an individual employed in two jobs within two retirement systems must retire for the same



Section

Intent

reason from both. The created exemptions will not automatically retire an individual for a disability from a second system because of a disability in the first.

Section 18

Rewrites Ch.32, s.3 (7)(d), technical changes to accommodate retirement provisions for persons having simultaneous membership in two or more systems.

Section 19

Amemds Ch.32, s.3 (8)(c), clarifies proration of costs among capped and uncapped systems; capped systems not to be assessed additional costs.

Section 20

Rewrites and amends Ch.32, s.4 (1) paragraphs (L), (L 1/2), (N), (N 1/2). Individuals in the State Department of Education and the Division of Employment Security paid directly from federal grants may currently purchase creditable service for such employment by contributing 5% of their compensation plus regular interest. The changes proposed here would make the purchase price for such creditable service the applicable contribution rate for the years purchased for those becoming members after 1/1/86.

Section 21

Amends Ch.32, s.4 (3)(a) provides six month time limit on Board for certification of creditable service.

Section 22

Amends Ch.32, s.5 (3)(e) the Department of Personnel Administration together with the Department of Public Health and Department of Public Safety is required to establish entry and in-service fitness standards for non-civil service public safety employees. Standards will apply to those governmental units opting to provide fitness/wellness programs.

Section 23

Adds to Ch.32, s.5A provides local option section for provision of fitness/wellness programs by local governments; programs to be in accordance with the Department of Public Health regulations; commonwealth to reimburse one half the costs.

Section

Intent

- Section 24                      Rewrites Ch.32, s.7 (2)(a) clauses (ii) and (iii) provide 78% cap on accidental disability benefits for members hired after 1/1/86. Increase in dependent allowance from \$312 to \$450, with further COLA's--applies to state and teachers' systems and others exercising local option.
- Section 25                      Amends Ch.32, s.7 (3)(a) corrects typographical error.
- Section 26                      Amends Ch.32, s.7 (4)(b) corrects typographical error.
- Section 27                      Rewrites Ch.32, s.8 (1), permitting re-examination and desk review of members up to age 65 where member was first retired subsequent to age 60. Allows board to order further review based on outside earnings or completion of rehabilitation in addition to current desk review findings.
- Section 28                      Amends Ch. 32 s.8 (2)(b), allowing creditable service for persons reinstated from disability for period of disability.
- Section 29                      Rewrites Ch.32, s.8 (3), modification of disability retirement allowance based on earning capacity. Modification to be initiated pursuant to i) actual earnings, ii) medical panel finding or iii) completion of a rehabilitation program, and based on board's determination of gainful capacity for employment. Modification to be made based on salary currently payable in position from which member retired. If pension is to be reduced by twenty percent or more, board is to offer lump-sum settlement equal to 110% of present value of reduced benefit, less value of any vested superannuation benefit. Member accepting lump-sum eligible for superannuation retirement, with creditable service for time disabled. Prior to acceptance, member must be counseled by IAB's office of education and vocational rehabilitation. Board is to reimburse IAB for any costs of counseling.



SectionIntent

Section 30	Adding to Ch.32, s.8 (4), mandatory rehabilitation evaluation, voluntary participation in state-fund medical/vocational rehab programs for disabled employees.
Section 31	Amending Ch.32, s.11 (3) escheatment of unclaimed deductions to pension reserve; technical change to accomodate creation of "commonwealth's pension liability fund".
Section 32	Amends Ch.32, s.12 (2) option (c)(1) provides option (c) pop-up; the reduced benefit taken to provide a continuing allowance for an employee's spouse is increased if the spouse predeceases the retired employee.
Section 33	Amends Ch.32, s.12 (2) option (c)(2) provision for the calculation of option (c) benefits so that the pop-up is a self-financing vehicle.
Section 34	Rewrites Ch.32, s.12 (2) option (d)(2), amendment to protect a widow's election of benefits by beginning the time period for the election on the date the widow is notified of her rights rather than from the date of death.
Section 35	Adds to Ch.32, s.14A, establishes a right in the pension system to recover from third parties causing disability or death to public employees; offset recoveries for lost wages against disability/death benefit payments made.
Section 36	Adds to Ch.32, s.15 (4), limitation on the pension benefits of an individual convicted of a violation of a job-related law.
Section 37	Rewrites Ch.32, s.16 (4), to remove PERA from the Contributory Retirement Appeal Board; allows PERA to be party before CRAB.
Section 38	Adds to Ch.32, s.18 (1A), reporting requirements for all governmental units to the retirement systems and PERA; establishes penalties for government units in systems adopting funding plan for failure to file required

<u>Section</u>	<u>Intent</u>
	information (penalty of 1% of payroll per month for delayed filing).
Section 39	Amends Ch.32, s.20 (3)(b) to facilitate the election by the county retirement advisory council of one of the three county retirement board members by allowing election by a majority of those present and voting at a properly posted public meeting.
Section 40	Amends Ch.32, s.20 (5)(d) corrective change acknowledging that PERA pays for all regional medical panels.
Section 41	Amends Ch.32, s.20 (5)(g) clarification of reporting requirements to PERA, enforcement powers in case of non-compliance.
Section 42	Amends Ch.32, s.20 (5)(h) corrects typographical error.
Section 43	Amends Ch.32, s.20 (5)(i) provides that each retirement board prepare comprehensive, understandable yearly reports; the Retirement Law Commission is to provide technical assistance.
Section 44	Adds to Ch.32, s.20B establishes indemnification for the members and employees of the State Retirement Board, the Teachers' Retirement Board and PRIT similar to that which exists for local retirement systems.
Section 45	Amends Ch.32, s.21 (1)(a) further clarification of PERA's supervision of demographic and accounting records of the systems; providing the Commissioner the right to intervene to insure acceptable recordkeeping and accounting.
Section 46	Amends Ch.32, s.21 (1)(b) allowing greater flexibility in valuing the fixed income assets in systems adopting a funding schedule.
Section 47	Rewrites Ch.32, s.21 (1)(d) allowing PERA to remand based on "preponderance of evidence" standard; provides interim disability benefit.



<u>Section</u>	<u>Intent</u>
	in case of multiple remand; protects 111F benefits during appeals process.
Section 48	Adds to Ch.32, s.21 (1)(e) requires PERA to establish non-binding operational guidelines for the administration of all retirement systems.
Section 49	Amends Ch.32, s.21 (2) correcting typographical error.
Section 50	Rewrites Ch.32, s.21 (3), the Commissioner of Administration is to conduct actuarial valuations every three years beginning 1/1/88; and experience investigations every six years; provides detailed requirements for the information to be contained in the actuarial and experience reports.
Section 51	Amends Ch. 32, s.21 (5), require PERA to evaluate disabled members for rehabilitation potential, and offer voluntary medical and vocational rehabilitation program.
Section 52	Adds to Ch.32, s.21 (6) establishes a data system at PERA; data is to be made available to Retirement Law Commission.
Section 53	Amends Ch.32, s.22, technical change on valuing of assets to accommodate creation of "Commonwealth's Pension Liability Fund".
Section 54	Adds to Ch.32, s.22 (1)(b 1/2) provides for repeal of \$30,000 cap in state and teachers' systems, and in other systems which vote to repeal. Employees hired after 1/1/86 required to make additional contributions: 1% additional on salary between \$30,000 and \$45,000. 2% additional on salary above \$45,000. Employees hired after 1979 but before 1986 may opt not to be "uncapped;" if becoming uncapped, must make additional contributions, with interest, for post-'78-pre-'86 service. Benefits pro-rated based on years of "capped" and "uncapped" service.
Section 55	Amends Ch.32, s.22 (1)(c), corrects typographical error.

<u>Section</u>	<u>Intent</u>
Section 56	Rewrites Ch.32, s.22 (2)(b) change to provide for the annuity fund accounting of disability retirees restored to active service upon recovery prior to age 65 (instead of 60).
Section 57	Rewrites Ch.32, s.22 (2)(c) and (d), accounting of annuity reserve fund balances (surplus to the pension reserve fund; deficits from the pension fund).
Section 58	Rewrites Ch.32, s.22 (3), permits transfers from pension reserve to pension fund in systems which have adopted approved funding schedule.
Section 59	Amends Ch.32, s.22 (3)(c), gives commissioner of PRIT power to amortize gains and losses on investments not sold over a period of years; clarifies state's obligation to amortize book/market losses realized by participating systems on transfer to PRIT.
Section 60	Rewrites Ch.32, s.22 (6A)(a), permits transfer from Pension Reserve to Pension Fund to extraordinary losses; must be amortized with interest over 5 years; subject to approval of PERA.
Section 61	Rewrites Ch.32 s.22 (6A)(b), allows boards to make transfer from Pension Reserve to Pension Fund to extraordinary losses; must be amortized with interest over 5 years; subject to approval of PERA.
Section 62	Amends Ch.32, s.22 (7), to provide for state appropriation to commonwealth pension liability fund of amounts necessary for funding schedule.
Section 63	Rewrites Ch.32, s.22 (8), places Commonwealth's Pension Liability Fund in PRIT; freezes state's pro-rata share of PRIT appropriation at CY'84 level; allows PRIM to transfer amounts required by participating local systems according to annual schedule, rather than in lump-sum. In systems underperforming PRIT each year for three consecutive years, or any four out of five,



Section

Intent

decision to join PRIT to be made by governmental unit.

Section 64

Adds to Ch.32, s.22 (8)(e), creates Commonwealth's Pension Liability Fund; to include assets of state and teacher's systems, except annuity reserve; annuity savings and expense funds.

Section 65

Rewrite Ch.32, s.22 (9)(3) maintains county pension reserve funds with governmental units.

Section 66

Adds to Ch.32, s.22 (10) makes employee contributions to all public employee retirement systems deductible for purposes of determining federal income tax liability; no diminution in salary paid to employees or in the retirement benefits earned by employees.

Section 67

Amends C.32, s.22C provides for state to appropriate according to funding schedule submitted triennially by A & F subject to legislative approval. Contractual obligation to fund.

Section 68

Amends C.32, s.22D (1), creates new section 22D. Any local system accepting, commits to irrevocable funding schedule, approved and modified by PERA, to provide for normal cost funding and 40 year amortization of past liability. Acceptance by town meeting, city council, members of authority, or weighted majority of governmental units in a county system. Three year period for acceptance. Pre-acceptance reserves to be retained by system to defray future pension fund appropriation. Systems accepting provision may receive state grants equal to 50% of additional funding costs, loans equal to other 50%, for first 15 years. Loans interest free until repayment period starts. Loans made from, repaid to, Commonwealth's Pension Liability Fund. Grants/loans cover one-half of \$30,000 cap repeal funding costs. During period of state assistance, systems receiving aid are subject to temporary transfer of assets to PRIT unless system matches PRIT

SectionIntent

performance. In waived systems, failure in each of three consecutive years, or any four out of five triggers transfer. In any non-waived system, transfer triggered by sub-PRIT performance in any two consecutive, or three out of four years. Systems accepting state assistance required to recover pension costs from fees, rates charged by enterprise operations to be used to defray commonwealth's assistance costs. Systems accepting state assistance required to send annual reports to all active members, retirees, and other beneficiaries.

## Section 69

Amends Ch.32, s.23 (2)(c) allow systems to utilize a securities depository registered with the SEC to facilitate trading.

## Section 70

Amends Ch.32, s.23 (2)(d) specific authority and clarification for PERA to issue desist orders for improper investment activities.

## Section 71

Amends Ch.32, s.23 (2)(e) corrects typographical error.

## Section 72

Rewrites Ch.32, s.23 (2)(g), extends South Africa/Northern Ireland investment restrictions to systems receiving waiver from legal list restrictions.

## Section 73

Amends Ch.32, s.23 (2A)(a), replaces "Commissioner of PERA" with "Commissioner of Banks, ex officio".

## Section 74

Repeals Ch.32, s.23 (2A)(c), which designated Treasurer as custodian of PRIT Fund.

## Section 75

Amends Ch.32, s.23 (2A)(e) clause (i), clarifies PRIM-Agency status, giving general court oversight of PRIM powers and duties.

## Section 76

Amends Ch.32, s.23 (2A)(e) clause (vi) provides a budgetary process for PRIM; financed by fees on participating systems subject to legislative oversight.

## Section 77

Adds to Ch.32, s.23 (2A)(e) clause (xi) details reporting requirements of PRIM to general court.



<u>Section</u>	<u>Intent</u>
Section 78	Adds to Ch.32, s.23 (2A)(e) clause (xii), clarifies budgetary process for PRIM; to be financed out of fees on participating systems subject to legislative oversight.
Section 79	Adds to Ch.32, s.23 (2A)(e) clause (xiii), PRIM Board to act as custodian of PRIT Fund.
Section 80	Rewrites Ch.32, s.23 (2A)(g)(ii) eliminates right of each PRIM Board member to have assigned a separate staff person.
Section 81	Rewrites Ch.32, s.23 (2A)(h), makes South Africa/Northern Ireland restrictions apply to PRIT.
Section 82	Adds to Ch.32, s.23 (4) clarification of PERA authority to issue desist order to protect system assets from impropriety.
Section 83	Rewrites Ch.32, s.24 (1) clarification of PERA authority to issue desist order to protect system assets from impropriety.
Section 84	Rewrites Ch.32, s.25 (4), technical change in contract clause to include Commonwealth's Pension Liability Fund.
Section 85	Adds to Ch.32, s.25 (6)(a), gives Attorney General, PERA, or Districts Attorney's power to seek a writ of mandamus to compel local system's adherence to funding schedule.
Section 86	Amends Ch.32, s.26 (2), 78% accidental disability cap for state police hired after 1/1/86; increase dependent allowance from \$312 to \$450 per annum with COLA.
Section 87	Amends Ch.32, s.28 (4)(a) corrects typographical error.
Section 88	Amends Ch.32, s.28 (4)(a) corrects typographical error.
Section 89	Amends Ch.32, s.28 (4)(c), clarify contributions of educational collaboratives to the state retirement system as employer normal cost.

<u>Section</u>	<u>Intent</u>
Section 90	Repeals Ch.32, s.28F, eliminates right of non-members to claim accidental disability.
Section 91	Amends Ch.32, s.58B (4), veteran's benefits, protects spouse by extending option election period for purchasing additional credit to date of notification (from date of death).
Section 92	Rewrites Ch.32, s.65C (3), corrects typographical error.
Section 93	Amends Ch.32, s.65D (b) eliminate \$30,000 cap for judges; require post 1/1/86 contribution equal to other employees; requires buyback of post-'78, pre-'86 service for post-'78, pre-'86 judges opting to have cap lifted.
Section 94	Amends Ch.32, s.65D (c) provides for increased contributions by uncapped judges.
Section 95	Amends C.32, s.65D (d) provides for increased contributions by uncapped judges.
Section 96	Amends C.32, s.65D (e) provides for increased contributions by uncapped judges.
Section 97	Amends Ch.32, s.65D (i) makes judges' contributions to retirement system deductible for purposes of determining federal income tax liability; no diminution in salary paid to employees or in the retirement benefits earned by judges.
Section 98	Amends Ch.32, s.91A changes reporting dates from January to April for outside earnings reporting by disability recipients; creates mechanism for computing "salary payable in grade" in cases where position is abolished subsequent to retirement; provides for PERA to enter into interagency agreement with IRS (currently DOR).
Section 99	Amends Ch.32, s.94, eliminate heart law presumption for smoking by post-1/1/86 hires; acknowledges risk factors as "to be considered" for overcoming presumption.



<u>Section</u>	<u>Intent</u>
Section 100	Amends Ch.32, s.94A, eliminate lung law presumption for smoking by post-1/1/86 hires; acknowledges risk factors.
Section 101	Amends Ch.32, s.100 (6) require reporting to PERA (without remand) on section 100 benefits (police-firefighter killed in the line of duty in an emergency).
Section 102	Amends Ch.32, s.102 (a), corrects typographical error.
Section 103	Amends Ch.32, s.102 (c), corrects typographical error.
Section 104	Amends Ch.32A, s.5, increases the amount of the mandatory, employer-paid life insurance for state employees and retirees from \$2,000 to \$5,000.
Section 105	Amends Ch.32A, s.6, increases the amount of the mandatory, employer-paid life insurance for state employees and retirees from \$2,000 to \$5,000.
Section 106	Amends Ch.32A, s.10, increases the amount of the mandatory, employer paid life insurance for state employees and retirees from \$2,000 to \$5,000.
Section 107	Amends Ch.32A, s.10A (1), increases the amount of term-life insurance which may be purchased by a state employee.
Section 108	Amends Ch.32A, s.10A (5) technical change to accommodate increased term-life insurance option.
Section 109	Amends Ch.32A, s.10A (6) technical change to accommodate increased term-life insurance option.
Section 110	Amends Ch.32A, s.10D provides employee financed disability insurance; allow contribution to be made on a pre-tax basis.
Section 110A	Amends Ch.32A, s.12, technical change to accommodate additional group life insurance for teachers.



<u>Section</u>	<u>Intent</u>
Section 111	Amends Ch.32A, s.17 provides dental and vision care insurance for certain non-collective bargaining employees and employees of, comparable to coverage currently provided for collective bargaining personnel.
Section 112	Amends Ch.32B, s.4 (1) technical amendment to accommodate additional group life insurance for local governments opting to provide.
Section 113	Amends Ch.32B, s.4 (2), technical change to accommodate group life and group accidental death benefits for those local governments opting to provide such.
Section 114	Amends Ch.32B, s.5, technical change to accommodate additional group life and group accidental death insurance for those local governments opting to provide such.
Section 115	Amends Ch.32B, s.9, technical change to accommodate additional group life and group accidental death insurance for those local governments opting to provide such.
Section 116	Amends Ch.32B, s.9F, authorizes local governments to exercise an option to increase the minimum amount of mandatory, employer-paid life insurance.
Section 117	Amends Ch.35, s.32A, technical amendment to clarify federal grant recovery of pension costs.
Section 117A	Amends Ch.40, s.5D (1), clarifies local control of municipal pension reserve or special fund monies.
Section 118	Amends Ch.40, s.5D, (5) clarifies federal grant recovery of pension costs; allows three year phase in subject to DOR regulations.
Section 119	Amends Ch.41, s.111N, creates alternative to Section 111F for municipal police and firefighters; provides for mandatory physical examination within six months of injury, referral to rehabilitation program where

Section

Intent

appropriate benefits to be reduced from 100% to 72% of salary after 18 months unless injured employee is undergoing rehabilitation. Local option, subject to collective bargaining.

Section 120

Adds to Ch.59, s.21C 1/2, creates local option for Prop. 2 1/2 override in cities or towns experiencing pensions payment growth in excess of the total revenue growth (including fees, excises, local-aid, federal assistance, and property tax levies); override to be in amount of pension/revenue gap.

Section 121

Amends Ch.111, s.203, establishes wellness program in DPH, especially targeted to public employees; police and fire fighters to be covered before all others; program to be provided at no cost to employees.

Section 122

Amends Ch.138, s.21 (3) clause (a) clarifies transfer of alcohol excise tax to commonwealth's pension liability fund; currently sent to state and teachers reserves.

Section 123

Amends Ch.175, s.196 provides fire/casualty insurance companies to reimburse commonwealth for costs of its share of local wellness programs, up to \$2.5 million annually.

Section 124

Establishes a study in Administration and Finance towards developing a "cancer" presumption for firefighters and police officers, and towards excluding obese personnel from heart presumption.

Section 125

Provides for tax-deferral of employee contributions to retirement system.

Section 126

Authorizes local governmental units which have adopted a funding schedule to issue bonds for purchasing annuity contracts for pension payments, subject to PERA oversight.

Section 127

Authorizes Treasurer to issue bonds for the purpose of purchasing annuity contracts to cover pension payments to be made by commonwealth.

Section

Intent

Section 128	Clarifies FY'86 budget levels for PRIM Board.
Section 129	Requires Commissioner of PERA to promulgate rules to implement the deferred-taxation of employee contributions.
Section 130	Amortization accelerator for state funding program; interest earnings above actuarial assumptions not to be used to lessen funding contribution requirements
Section 131	Social Security study commission established; to include legislators, commissioner of A & F, Massachusetts Municipal Association, labor representatives



# THE PUBLIC EMPLOYEE PENSION REFORM ACT OF 1985:

## EXECUTIVE SUMMARY

The major components of the Massachusetts Public Employee Pension Reform Act of 1985 (MPEPRA/'85) fall into five basic categories:

- Local Funding
- Benefit Improvements
- Disability Reform
- Peripheral Issues

The most significant proposals in each category are summarized below.

### STATE FUNDING

MPEPRA/'85 proposes the adoption of a 40-year, contractually obligating state funding schedule, the amortization component of which is to grow no faster than 6.5% per year (based on a conservative estimate of the growth in state revenues). In addition, we recommend a statutory mechanism for an accelerated amortization period, based on investment yields above actuarially predicted rates of return. Funding appropriations to be based on A & F submissions, subject to legislative disapproval.

### LOCAL FUNDING

For the 102 local retirement systems, MPEPRA/'85 provides a 15 year grant and loan assistance program for those local systems adopting a contractual funding schedule. The grants and loans, contingent on the implementation of local self-help measures, would be provided by the state to offset the initial costs of implementing a local funding plan. The maximum first-year cost to the state of \$20M in grants and \$1.5M in lost interest on loans would taper off to simple foregone interest costs within seven to ten years of commencement. For systems which adopt a funding schedule, MPEPRA/'85 would also authorize a "2-1/2"-override, subject to voter approval, to meet extraordinary pension costs.

### BENEFIT IMPROVEMENTS

MPEPRA/'85 offers a series of insurance and retirement benefit improvements for state and local employees. In general, local benefit changes are made subject to local approval, in keeping with the cost-mandate prohibitions of Proposition 2-1/2. These benefits include:

- \*Repeal of the \$30,000 cap on the final salary used in determining retirement benefits. Repeal to apply for members of state and teachers' systems, and of local systems which opt to accept repeal on an advance funded-basis. Additional employee contributions, based on marginal salary rates, required for higher-paid employees becoming "un-capped."

\*Conversion from partial to full retirement benefits for retirees whose named-beneficiary pre-deceases them.

\*Additional group-life and dismemberment insurance for state employees; optional for local employers.

\*Optional employee-financed disability insurance for state employees; purchase through Group Insurance Commission.

\*Provides for federal tax-deferral of salary contributions by employees to state and local retirement systems.

#### DISABILITY REFORM

In the area of disability reform, MPEPRA proposes:

\*Creating strengthened rehabilitation and re-employment opportunities for disabled public employees.

\*Providing for in-service and pre-employment fitness standards for newly-hired public safety personnel; effective in municipalities providing wellness programs.

\*Enhancing oversight powers of the Public Employee Retirement Administration; creates interim disability benefits for disability claimants subject to extended review and remand.

\*Removing presumption of job-relatedness for lung or heart impairments incurred by public safety employees using tobacco products; applies to new-hires only.

\*Providing disability benefit reduction based on capacity for gainful employment (in addition to current reductions based on actual earnings or improved medical condition). Employees whose benefits are so-reduced to be offered optional lump-sum settlements, subject to comprehensive counseling provisions.

\*Placing a 78% total benefit cap on accidental disability pensions awarded to employees hired after 1/1/86.

\*Creating a new local option alternative to the current injured-on-duty leave provisions for municipal police and fire personnel. Would require medical evaluation within six-months of injury and offer of optional rehabilitation where appropriate. Would lower benefits from 100% of salary to 72% of salary after eighteen months, unless employee was participating in an approved rehabilitation program, or performing "light-duty" at employer's request.

#### PERIPHERAL ISSUES

In addition to the changes recommended above, MPEPRA would also:

\*Authorize the issuance of tax-exempt bonds for the purpose of purchasing annuity contracts to cover previously incurred



pension liabilities. Authorization would extend to state treasurer, and to local systems adopting a funding schedule, subject to state oversight.

\*Enhance the value of local participation in the Pension Reserves Investment Trust Fund.

\*Create a study commission to assess the impact of mandatory coverage under Social Security for all public employees, a proposal currently pending before Congress.





# THE PUBLIC EMPLOYEE PENSION REFORM ACT OF 1985:

## BACKGROUND

### INTRODUCTION

The Public Employee Pension Reform Act of 1985 is a comprehensive revision of the Commonwealth's pension laws. Dealing with public pension funding, employee health and pension benefits, and the reform of the disability retirement provisions for public employees, the Pension Reform Act of 1985 is designed to bring consistency and fairness to benefit structures, and long-term fiscal stability to state and local pension systems. Following is an analysis of the major issues treated, and the most significant proposals made in this legislative initiative.

### FUNDING

Since their inception in 1945, most of the 106 public employees retirement systems in Massachusetts have been funded on a "pay as you go" basis, appropriating annually only as much as is required to meet current year pension benefits. The lack of advance funding, combined with generous benefits and cost of living provisions and historically low investment yields, has resulted in dramatically rising yearly pension costs, and a growing gap between on-hand assets and accrued pension liabilities--a gap currently estimated at \$11 billion (the so-called unfunded actuarial pension liability). For the state, cities, towns, counties and districts obligated to eventually meet these costs, this funding deficit has reflected negatively in credit ratings, driving up the cost of governmental borrowing. Rising yearly costs have also placed a serious strain on state

resources, and have threatened to absorb much of the available revenues for tax-capped municipalities.

#### BENEFITS

For employees hired after January 1, 1979, the maximum salary upon which a retirement allowance can be based is capped at \$30,000--regardless of an employee's actual highest average salary. Since "retirement for age" benefits are further capped at 80% of highest average salary, the maximum superannuation allowance payable to post-1978 hires is \$24,000. The cap on benefits, combined with the continued requirement for pension contributions on an employee's full salary, has caused growing concern among employees and employers alike. Although the continued existence of the \$30,000 cap produces significant long-term savings for state and local retirement systems, many observers have noted difficulty attracting and retaining public servants in light of this benefit restriction. And as general salary levels rise, pressure continues to build for some form of cap repeal.

Employee groups have also called attention to the inadequacy of many other benefits, such as the mandatory employer-paid group life and dismemberment insurance of \$2,000, and the less-than generous benefit structure for non-job related disabilities. Many of these outdated protections have been fixed at the same statutory level for decades, and have been seriously eroded by inflation over time.

#### DISABILITY

Disability retirements, particularly job-related disabili-



ties, have been a source of great concern and controversy since the beginning of this decade. In the years immediately following Proposition 2 1/2, some employers and employees alike were prone to abusing the disability retirement system as a short-term alternative to cutting strained municipal payrolls. While these abuses lowered salary burdens and forestalled lay-offs in the short-run, in the long-run shifting costs from payrolls to pension appropriations dramatically increased the demands on already underfunded retirement systems. The increase in disability pension awards, the disproportionately high costs associated with these retirements, and a few well-publicized cases of fraud, helped focus public and media attention on the issue of disability reform.

In 1982, the legislature created the Division of Public Employee Retirement Administration (PERA), a watchdog agency mandated to review the granting of disability awards. While the easing of Proposition 2 1/2's budget constraints and PERA's oversight functions have apparently decreased the alarming disability figures of the early 1980's, some critics claim that high benefit levels remain an inherent and unavoidable invitation to abuse. These observers note that recent rulings have sharply limited PERA's oversight powers, and suggest that the currently low disability figures represent merely a cyclical lull. Both labor and management advocates point out that the system offers few incentives or opportunities for rehabilitation and re-employment of disabled workers.

# THE PUBLIC EMPLOYEE PENSION REFORM ACT OF 1985:

## OVERVIEW

On June 19 of this year the Secretary of Administration and Finance, Frank T. Keefe, filed a major pension-reform package on behalf of Governor Michael S. Dukakis, House Bill 6422. The legislation proposed major changes in the area of funding, benefits, and disability retirement.

Following the filing of the Keefe/Dukakis bill, the Legislature's Joint Committee on Public Service and the Special Committee on Public Employee Retirement held a series of public hearings across the Commonwealth to elicit public responses to the sweeping reforms proposed in H.6422. Based on these hearings, on-site research in Pennsylvania and New York, and a series of meetings with interested parties, the following initiative was formulated. It incorporates many of the Keefe/Dukakis proposals, together with the insights of Committee members and other legislators experienced in earlier pension revisions, and addresses numerous concerns raised by those directly and indirectly impacted by the suggested reforms. We believe that the package we propose is a balanced, responsible, and effective response to a difficult and sensitive issue: the reform of our public employee pension laws.

## STATE FUNDING REFORM

For the State Employees' and State Teachers' Systems, we recommend the adoption of a 40-year, contractually obligating funding schedule. In response to concerns over the possible loss



of legislative prerogative in the adoption of a funding plan, we propose an Executive-Legislative appropriation loop, and the input of an independent oversight body, the Retirement Law Commission. This schedule will allow us to amortize our past debt (currently estimated at \$6.6 billion), and move to a sound future funding format, while staying well within the most conservative assumptions of growth in state revenues.

In order to speed the process of amortization, we propose the inclusion of an amortization accelerator, based on the likely prospect of short-term investment yields above predicted long-term trends. While pin-point predictions of market behavior are difficult at best, the possibility of initial investment windfalls could conceivably cut the amortization-period in half. By leaving the more conservative funding schedule as a contractual base beneath this accelerator, we create both a long-term commitment (in contrast to the fits and starts which have characterized pension funding efforts since the late 1970's) and an opportunity to benefit from immediate investment revenues and a shorter amortization period, much like a home-owner paying off a mortgage in 20 years instead of 30.

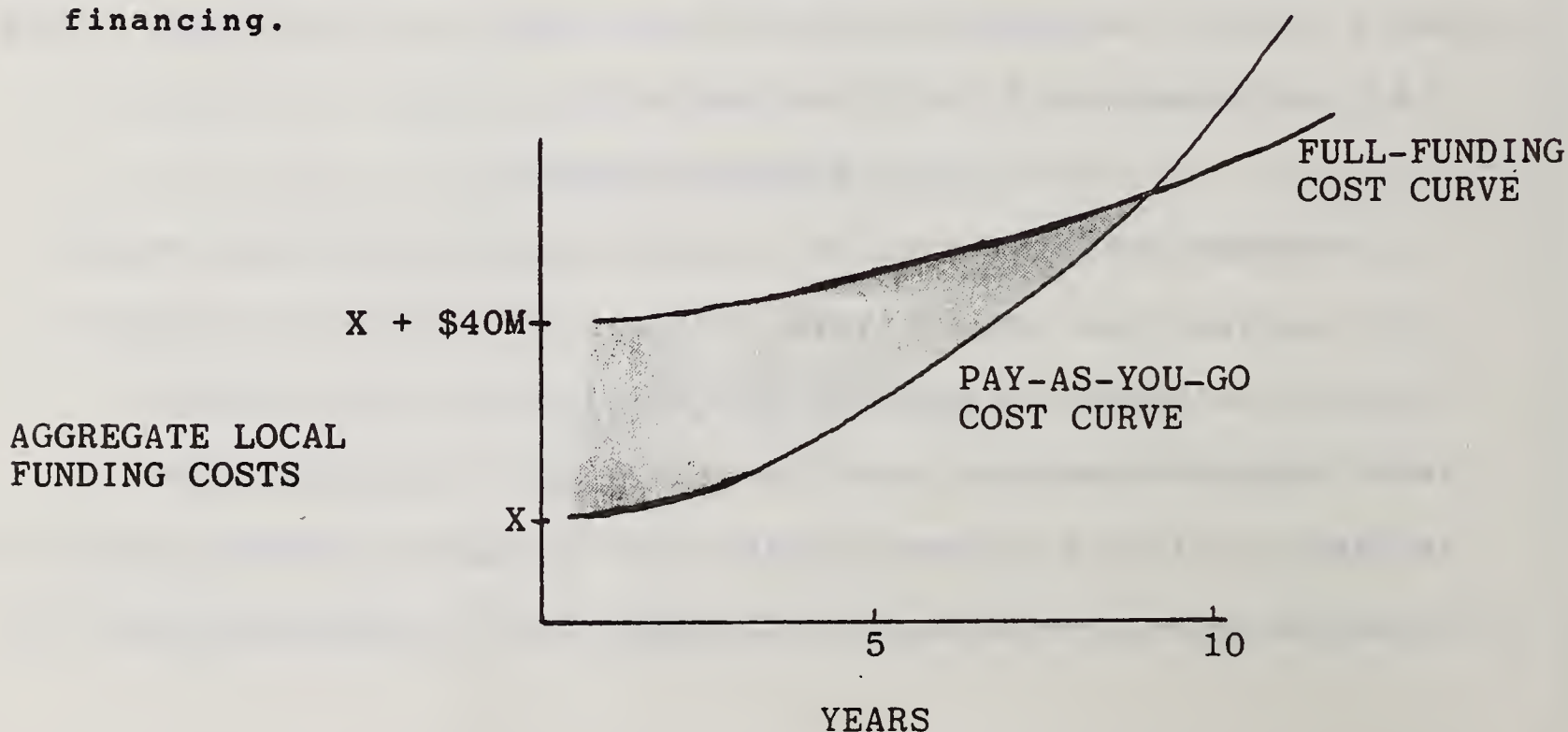
#### LOCAL FUNDING PROPOSAL:

Perhaps the most striking conclusion drawn from our state-wide hearings was the diversity of fiscal capacities and pension financing dilemmas facing the 102 local retirement systems. While unfunded pension liabilities and pay-as-you-go costs continue to grow at alarming rates for local retirement systems as a group, some systems have already made significant progress in the



arduous task of pension financing. The long-run outlook for locals as a whole has greatly improved through the state-assumption of judicial retirement costs and local cost-of-living adjustments since 1981. We also noted the essentially local function of retirement administration and pension financing. As the natural and proximate result of municipal employment, retirement functions and costs seem most appropriately maintained as a local responsibility.

The local pension-funding problem is in fact a near-term budgetary hurdle rather than a long-term fiscal gap. In order to cross that hurdle, and to embark on a long-term funding schedule within the constraints of statutory tax-limitations, local systems require an immediate infusion of capital reserves, reserves which many cities and towns simply do not have in the era of Proposition 2 1/2. As the sample funding curve (below) suggests, cities and towns need help getting through the first five to ten years of a funding schedule; thereafter, most if not all systems would be well capable of managing their own pension financing.



The Commonwealth, with its greater economic resources, is uniquely suited to provide that initial capital infusion, thereby helping cities and towns to help themselves. And it is this role of selective assistance, rather than the broad-brush approach of state assumption, which we suggest the Commonwealth should play.

By providing grants and loans to those local systems adopting a contractual funding plan, the Commonwealth could essentially hold harmless such systems for the start-up costs which an amortization schedule requires. We recommend the availability of grants equal to one-half of the additional costs required by funding, with no-interest (until repayment begins) loans making up the difference, for those local systems opting to adopt an irrevocable funding schedule. By closing the "funding gap" (represented by the shaded area in the diagram above), the Commonwealth can bring municipal governments to the point where pension costs, including both the amortization of past debt and the advance funding of future benefits, will be a predictable, controllable portion of local fiscal obligations, and not the untenable levy-muncher they now threaten to become.

To safeguard the state, and its taxpayers, during the decade in which general revenues would be defraying local funding costs, we would recommend measures of accountability against which local pension systems would be held, including investment performance, enhanced member access to actuarial reports, and the recovery of



pension costs through local enterprise operation fee and rate structures as a partial offset for the state's funding assistance. And for those municipalities facing particularly onerous near-term pension costs, even without the additional burden of embarking on a long-term funding plan, we would offer the opportunity of a Proposition 2 1/2 over-ride, subject to local voter approval, to help meet extraordinary pension obligations.

#### TAX-EXEMPT BOND FINANCING

A novel pension financing technique recently employed in Multnomah County, Oregon, takes advantage of federal tax-incentives to defray the cost of amortizing past pension obligations. Under this mechanism, a governmental unit would finance the purchase of insurance annuity-contracts to cover pension costs, through the sale of tax-exempt public purpose bonds. Because the capital required to purchase an annuity can be raised at the low, tax-exempt rate, and re-invested by an insurer at higher market rates, the cost of the annuity to the governmental unit can be significantly discounted. In essence, the "spread" between tax-exempt bond rates and the higher market investment yields represents a significant savings in the financing of retirement costs.

Although Congressional tax-reform considerations have placed a temporary chill on bond issues for this purpose, we recommend a statutory authorization for the treasurer to take advantage of this opportunity, if federal action does not foreclose its implementation in the coming months. We also recommend a similar authorization, subject to state oversight, for municipalities which have adopted a long-term funding schedule. While not an



overall solution to pension financing, tax-exempt bonding is potentially a valuable tool in lessening the cost of paying some of our accrued pension debts.

#### BENEFIT REFORM

We propose a number of benefit improvements for employees of the Commonwealth, and its political subdivisions. Most of these, such as an increase in the mandatory employer-paid group life and dismemberment coverage from \$2,000 to \$5,000, are long over-due. Regretably, in light of the mandated-cost prohibitions put in place by Proposition 2 1/2, many of these benefits, including enhancements in the benefits payable to the dependent survivors of disabled public servants, must be left to local option. However, we believe the menu of benefits we offer will greatly enhance the conditions of employment for all public servants in the Commonwealth, while protecting the fiscal integrity of public employers, and the taxpayers to whom they are accountable.

Included in our benefit reform package is a conversion from reduced to full benefits, where a named beneficiary has pre-deceased a retiree. Also included is an option for state employees to purchase additional employee-financed disability insurance through the Group Insurance Commission, and an authorization for dental and vision benefits for non-collective bargaining employees of the Commonwealth.

Most significantly, we recommend the repeal of the \$30,000 cap for members of the state and teachers' retirement systems, and for members of those non-state retirement systems which opt

to remove the cap on an advanced-funded (rather than pay-as-you-go) basis. We recommend an increased, marginal contribution rate for all new employees, but apply it as well to those current workers already subject to the cap who opt to pay the higher rate, in return for the higher benefit. In keeping with our philosophy of helping those municipalities which act to help themselves, we offer Commonwealth reimbursement of 50% of any additional funding costs required by cap repeal in systems which have adopted a funding schedule, during the period of any state assistance grants or loans.

#### DISABILITY REFORM

Disability reform is at best a delicate task. It is eased by a recognition that the flaws in our disability system lie foremost in its inability to reincorporate disabled workers back into the work-force. As it currently exists, our disability retirement structure offers only frustration and road-blocks for those workers who wish to rehabilitate themselves, and few incentives for others to even consider the task of rehabilitation. In many cases, abuse is more a function of the system, and not a conscious malfeasance by any individual.

The primary goal of any disability reform proposal must be to end the terrible waste of human potential which has characterized our treatment of those public employees prevented by injury or illness from fully performing the duties of their position. We advocate, therefore, a strengthened program of early evaluation and referral to optional vocational and medical rehabilitation



programs, where appropriate. We also recommend priority in appointment where a disabled employee is once again able to return to work.

An important area of disability reform, too often ignored by public employers, is the adoption of stringent pre-employment and in-service fitness standards, particularly in public safety positions where physical vigor is essential to job performance and disability prevention. We propose such standards be applied to all newly-hired police and fire personnel in municipalities which offer wellness programs targeted to maintaining public safety fitness. To further the idea of local self-help, we offer a 50% state-reimbursement of approved wellness costs incurred by cities and towns.

We recommend increased oversight authority for the state's watch-dog pension agency, PERA, as a deterrent to disability abuse or misapplication of the retirement laws. We view this as a fairer, and more effective alternative to the across-the-board benefit reductions offered in H.6422's attempt to remove economic incentives for abuse. By curbing both abuse and misconstruction of statute where they exist, we can obviate the need for lowering vital benefits for everyone. In order to protect those employees who may be subjected to review and remand under the heightened scrutiny we suggest, we are also recommending the creation of new interim disability benefits for employees pending final adjudication, and the continuance of current injured-on-duty coverage for public safety personnel.

We are urging the adoption of a lump-sum offer to be made



available to employees found capable of gainful employment outside of their previous occupation. We believe this will serve as an incentive for local retirement boards to implement the disability benefit reductions based on potential earnings as advocated in House 6422. The lump-sum benefits, equal to 110% of the present value of any pension reduced by more than 20%, would be available only after the employee had been determined re-employable in some capacity, and only after the employee had undergone extensive career counseling. By making such an offer, we may be able to bridge the gap between the obstacle of "permanent and total" disabilities, and the goal of a once again productive individual.

One benefit modification we do strongly recommend is a prospective cap on the level of accidental disability benefits. By capping all such benefits, including both the basic 72% of salary and the additional annuity component based on an employee's contributions, at a combined maximum of 78% of salary, we can ensure that the long-term fiscal integrity of our retirement systems will not be jeopardized as increased employee contributions drive total benefits higher and higher.

Finally, we recommend two changes to the more controversial areas of disability reform. Though controversial, those changes are, we believe, well founded in common sense. The first of these changes involves the loss of the so-called "heart" and "lung" presumption for newly-hired police and firefighters who regularly smoke tobacco products. Through this change, an impairment of the heart or lungs would no longer be presumed to

be job-related (and hence, qualify for higher disability benefits) in instances where the employee has potentially contributed to such impairment through tobacco use. The burden of proof in such cases would no longer be presumed to be in the employee's behalf. We have further recommended that studies be conducted on the less well-defined correlation between obesity and hypertension, and on the factual basis, if any, for the creation of a cancer presumption.

The second of our recommendations in this spectrum involves the widely criticized injured-on-duty or "111F" leave benefits payable to municipal police and fire personnel. This benefit provides for 100% of salary to be paid, tax-free, during the duration of a public safety employee's incapacity from work, until such time as the employee is either retired for disability or returned to his position. Some municipalities have experienced significant fiscal burdens from this provision, both in actual payments and in overtime costs required to make up for a reduced work-force. Municipalities themselves have been remiss in quickly identifying which injured officers are likely candidates to return, and which are probably eligible for disability retirement. We are recommending that, in those municipalities which opt to accept the additional costs, employees on 111F be examined at least once within the first six months of injury, evaluated for re-employment, retirement, or rehabilitation, and if still on injured-leave after 18 months, subject to a reduction from 100% to 72% of salary (the basic accidental disability benefit level). Though recent rulings by the Supreme Judicial



Court may remove some of the need for this reform, we offer it nonetheless as a vast improvement over the current situation.

#### ADDITIONAL PROVISIONS

In addition to the major reforms we have discussed above, we offer a number of other revisions, including a prospective extension of the restrictions on South Africa and Northern Ireland munitions-related investments by the Pension Reserve Investment Trust (PRIT) Fund, and by non-state systems accepting a waiver from legal list investment restrictions. We also offer some enhancements of the current PRIT option for local systems seeking the benefits of professional investment management through state supervision. Included are a freeze on the state's share in the annual appropriation to the reserves of systems participating in PRIT, and a clarification of the Commonwealth's promise to amortize any paper losses realized by local systems transferring to the PRIT Fund.

Finally, we would greatly expand the reporting standards currently required by all retirement boards to their active and retired members, and to the governmental units which support each retirement system. Perhaps as much as any other measure, this "ray of sunshine" will prevent a relapse into the fiscal quagmire with which all of us must presently contend. A bit of timely disclosure now may well prevent the need for still further reforms in the years to come.

In summary, the Massachusetts Public Employee Pension Reform Act of 1985 offers a sound and comprehensive plan to fund the pensions of our public employees without placing undue fiscal



burdens on state and local governments. Mass. PEPRAs '85 offers a series of progressive benefit improvements to enhance the conditions of employment for state and municipal workers. Finally, Mass. PEPRAs '85 proposes sweeping reforms in our disability retirement laws which will end the tragic waste of human potential currently existent in our public employee retirement systems. Mass. PEPRAs '85 represents the final leg of a public pension reform triad, and we respectfully submit it for your approval.



**PUBLIC EMPLOYEE  
PENSION REFORM ACT  
OF 1985**

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**PROPOSAL**

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**SECTION 1.** Section 103 of chapter 6 of the General Laws is hereby amended by adding after the second sentence thereof the following next sentences: — Said commission shall review any reports, valuations, investigations, or studies performed by or at the direction of the commissioner of administration or by the actuary of the division of public employee retirement administration pursuant to the provisions of subdivision (3) of section 21 of chapter 32; provided that said commission shall file with the clerks of the house and senate and with the governor its analysis of such reports, valuations, investigations or studies, and the conclusions thereof, together with the commission's recommendations, if any, for modification of the assumptions or methodologies employed therein.

**SECTION 2.** Section 50 of chapter 7 of the General Laws is hereby amended by striking out subdivision (a) in its entirety, and inserting in place thereof the following new subdivision: —

(a) promulgating rules and regulations governing administrative procedures, financial operations, records and reports of the retirement boards, subject to the approval of the general court. The commissioner shall submit any such rules or regulations to the clerks of the house of representatives and the senate, who shall refer said rules or regulations to the appropriate standing committee of the legislature. Within fifteen days of said referral, said committee shall transmit in writing to the commissioner its recommendations, if any, for modifications in said rules or regulations. Within fifteen days of receipt of any such recommendations, the commissioner shall resubmit to said committee said rules or regulations, together with any modifications made thereto. If the general court takes no final action relative to said rules or regulations within forty-five days of the date on which said rules or regulations are first referred to said committee, said rules or regulations shall be deemed to be approved.

**SECTION 3.** Section 50 of chapter 7 of the General Laws, as most recently amended by chapter 661 of the acts of 1983 is hereby amended by striking the first sentence of the second paragraph of section 50 and inserting in place thereof the following sentence:

There shall be within the division of public employee retirement administration a unit to be known as the pension investment advisory unit.

**SECTION 4.** Section 16 of chapter 15 of the General Laws is hereby amended by striking out the words "commissioner of insurance" and inserting in place thereof the words: commissioner of public employee retirement.

**SECTION 5.** Paragraph (f) of section 6B of chapter 29 of the General Laws, as most recently amended by section 2 of chapter 661 of the acts of 1983, is hereby further amended by striking in line 1 the words "State Employees' Pension Reserve Fund" and inserting in place thereof the words: — commonwealth's pension liability fund.

**SECTION 6.** Section 39 of chapter 31 of the General Laws is hereby amended by striking out the third paragraph and inserting in place thereof the following paragraph:

If a permanent employee who has become separated from his position because of disability shall be subsequently capable of employment as determined pursuant to section eight of chapter thirty-two by the retirement board, as defined in section one of chapter thirty-two, such employee shall be placed in a position in the same or similar title in the department from which he was separated or any other department or in such position as the retirement board shall have found him capable of filling, prior to the appointment from any civil service list; provided, however, that in the event that such placement of such employee occurs after a period of time greater than five years from the date of such separation or results in such employee occupying a position in a different title from the title of the position from which he was separated, such placement right shall be subject to the completion by such employee of a retraining program established by the appointing authority, and approved by the personnel administrator.



SECTION 7. Chapter 31 of the General Laws is hereby amended by inserting after section 61 the following section: —

*Section 61A.* The administrator, together with the Secretary of Public Safety and the commissioner of Public Health shall establish initial health and physical fitness standards which shall be applicable to all police officers and fire fighters when they are appointed to permanent, temporary, intermittent, or reserve positions in cities and towns or other governmental units. Such standards shall be established by regulations promulgated by the administrator after consultation with representatives of police and firefighter unions, and the Massachusetts Municipal Association. Notwithstanding the provisions of the paragraph, any municipality may adopt, subject to collective bargaining, stricter health and physical fitness standards. Such initial health and physical fitness standards shall be rationally related to the duties of such positions and shall have the purpose of minimizing health and safety risks to the public, fellow workers and the police officers and firefighters themselves.

No person appointed to a permanent, temporary, intermittent, or reserve police or firefighter position after January first, nineteen hundred and eighty-seven shall perform the duties of such position until he shall have undergone initial medical and physical fitness examinations and shall have met such initial standards. The appointing board or officer shall provide initial medical and physical fitness examinations within thirty days of the appointment. If such person fails to pass an initial medical or physical fitness examination, he shall be eligible to undergo a reexamination within sixty days of the date of the initial examination failed. If he fails to pass the reexamination, his appointment shall be rescinded. No such person shall commence service or receive his regular compensation until such person passes the health examination or reexamination.

The administrator, shall establish in-service health and physical fitness standards which shall be applicable to all police officers and firefighters in permanent, temporary, intermittent, and reserve positions in cities and towns. Such standards shall be established by regulations promulgated by the administrator after consultation with representatives of police and firefighters' unions, and the Massachusetts Municipal Association. Notwithstanding the provisions of this paragraph, any municipality may adopt, subject to collective bargaining, stricter health and physical fitness standards. Such in-service health and physical fitness standards shall be rationally related to the duties of such positions and shall have the purpose of minimizing health and safety risks to the public, fellow workers, and the police officers and firefighters themselves. Such standards shall take into account the age of the police officer or firefighter.

All police officers and firefighters in such positions shall undergo in-service medical and physical fitness examinations at such time intervals as the administrator shall determine, but no less frequently than once every two years. Any police officer or firefighter appointed to such a position after January first, nineteen hundred and eighty-seven shall be required to maintain his health and physical fitness at a level which meets such in-service standards. If a police officer or firefighter appointed to such a position after January first, nineteen hundred and eighty-seven fails to pass such an in-service examination, he shall be eligible to undergo a reexamination within sixty days of the date of the in-service medical or physical fitness examination failed. If he fails the reexamination, he shall be eligible to undergo a second reexamination within ninety days of the date of the first reexamination. If he fails to pass the second reexamination, his appointment shall be terminated or not renewed as the case may be. A police officer or firefighter who fails an in-service examination may continue to receive his regular compensation provided that he undergoes a reexamination within sixty days. If he fails the reexamination, his regular compensation shall be suspended pending the outcome of the second reexamination.

If the appointment of a police officer or firefighter is terminated or not renewed in accordance with this section, he may apply for superannuation, ordinary disability, or accidental disability retirement benefits as provided in chapter thirty-two. A police officer or firefighter whose appointment is terminated or not renewed because of his failure to meet in-service health or physical fitness standards shall not be presumed by virtue of such termination or non-renewal to be disabled for pension purposes.

The administrator shall establish procedures for the administration of such medical and physical



fitness examinations by cities and towns. Such examinations may be administered at the police academy or at the firefighting academy in accordance with such procedures.

The provisions of this section shall apply to all police officers and firefighters in cities, towns, districts, or other governmental units which have accepted the provisions of Section 61B.

SECTION-8. Said Chapter 31 of the General Laws is hereby further amended by inserting the following new section: —

*Section 61B.* Any city, town, district or other governmental unit which accepts the provisions of this section shall establish a wellness program for police officers and firefighters, if any, employed in such city, town, district or other governmental unit. Such wellness program shall be in accordance with the minimum requirements established by the department of public health pursuant to section 203 of chapter 111. The commonwealth and any agencies or authorities thereof shall establish such programs for any police officers or firefighters employed by said commonwealth, agencies, or authorities and shall be deemed to have accepted this section for the purposes of section 61A. Any city, town, district, or other governmental unit, but not including the commonwealth, its agencies or authorities, which accepts the provisions of this section and provides wellness programs pursuant thereto shall be reimbursed for the lesser of i) one-half the costs thereof or ii) an amount equal to one hundred dollars per employee, by the commonwealth, upon certification by the secretary of public safety. The secretary shall certify the amount of such reimbursement to be paid to such city, town, district, or other governmental unit from information filed on or before September first of each year with said secretary by the appointing authority.

SECTION 9. Section 1 of chapter 32 of the General Laws, as most recently amended by section 3 of chapter 661 of the acts of 1983, is hereby further amended by striking out the definition of “Actuarial equivalent” and inserting in place thereof the following definition: —

“Actuarial equivalent,” any benefit of equal value when computed upon the basis of the Combined Annuity Table of Mortality set back one year and interest at the rate of three percent per annum.

SECTION 10. Said section 1 of said chapter 32 is hereby further amended by striking out the definition of “Board” and inserting in place thereof the following definition: —

“Board”, the appropriate retirement board established under the provisions of section twenty having jurisdiction of any contributory retirement system established under the provisions of sections one to twenty-eight, inclusive, or under corresponding provisions of earlier laws, or other pension reserves investment management board established under the provisions of section twenty-three, or the metropolitan water resources authority retirement board.

SECTION 11. Section 1 of said chapter 32 is hereby amended by adding after the definition of “commissioner” the following definitions: —

“Commonwealth Funding Schedule”, the plan established by the commissioner of administration after reviewing all reports prepared pursuant to section one hundred and three of chapter six of the General Laws and subdivision three of section twenty-one of chapter thirty-two, and approved by the general court pursuant to the provisions of section 22C, which establishes the payments necessary pursuant to section twenty-two C to pay the normal cost of benefits for the commonwealth and amortizes over the forty year period beginning July first, nineteen hundred eighty-five any unfunded actuarial liability of the commonwealth, including any pension obligations which the commonwealth may by general or special law assume on behalf of any system other than the state employees’ or teachers’ retirement systems, and further including the commonwealth’s share for the costs of any cost of living adjustments pursuant to section one hundred and two.

Said schedule shall be published by said commissioner and filed with the clerks of the senate and house of representatives, and with the retirement law commission.



The said commissioner shall revise such funding schedule after each actuarial valuation report prepared pursuant to section twenty-one to reflect any increase or decrease in the projected actuarial liability that may result from a review of the actuarial, economic and demographic assumptions on which such funding schedule is based.

“Commonwealth’s Pension Liability”, the financial obligation of the commonwealth to pay all retirement benefits pursuant to this chapter for the state employees’ and teachers’ retirement systems, and to reimburse local retirement systems for cost of living adjustments pursuant to section one hundred and two of this chapter and including any other pension obligations which the commonwealth may assume by general or special law on behalf of any system other than the state employees’ or teachers’ systems.

“Commonwealth’s Pension Liability Fund”, the fund established under the provisions of subdivision (8) of section twenty-two for monies appropriated and set aside to meet all financial obligations for retirement benefits by the commonwealth, except such obligations as are payable from the annuity savings fund and annuity reserve fund of the state employees’ and teachers’ retirement systems.

SECTION 12. Section 1 of said chapter 32 is hereby amended by adding after the definition of “fiduciary” the following definition: —

“Funding System”, any retirement system other than the state employees’ retirement system and teachers’ retirement system which accepts the provisions of section twenty-two D and adopts a funding schedule.

SECTION 13. Said section 1 of said chapter 32 is hereby amended by adding after the definition of “Membership service” the following definition: —

“Normal Cost”, that portion of the actuarial present value of the retirement system benefits and expenses which is allocated by the funding method to the twelve-month period following the valuation date of the most recent actuarial valuation report pursuant to section twenty-one, expressed as a percentage of payroll in such actuarial valuation report. In determining the normal cost, the actuary shall utilize the most recent actuarial valuation report whether prepared pursuant to section twenty-one or pursuant to section one hundred and three of chapter six of the General Laws.

SECTION 14. Said section 1 of said chapter 32 is hereby amended by adding at the end of the definition of “PRIM board” the following words: — and appropriated and set aside for the payment of pension obligations and future liability, including money in the commonwealth’s pension liability fund.

SECTION 15. Section 1 of said chapter 32 is hereby amended by adding after the definition of “retirement allowance” the following definitions: —

“Retirement system funding schedule”, the plan established by a retirement board, and approved by the actuary, after reviewing all reports prepared pursuant to section one hundred and three of chapter six of the General Laws and subdivision three of section twenty-one of chapter thirty-two, which establishes the payments necessary pursuant to section twenty-two D to pay the normal cost of benefits for the system and amortizes over the forty-year period beginning July first, nineteen hundred and eighty-six any unfunded actuarial liability of the system. Said schedule shall be published by said board and filed with the clerks of the governmental units participating in the system. The actuary may require said board to revise such funding schedule after each actuarial valuation report prepared pursuant to section twenty-one to prevent any increase or decrease in the projected actuarial liability that may result from a review of the actuarial, economic and demographic assumptions on which such funding schedule is based.

SECTION 16. Subdivision (2) of section 3 of said chapter 32 is amended by striking out the first paragraph of subdivision (g) and inserting in place thereof the following paragraph: —



(g) Department heads shall furnish to the board within thirty days after employing any new personnel or after the receipt of a written request therefor, a statement giving the name, address, title, rate of regular compensation, duties, date of birth and length and class of service of each employee in his department.

Department heads shall notify the board within thirty days of any change in the title, address, rate of compensation, duties or service of any employee in his department. Thereupon the board shall classify each member in one of the following groups:

SECTION 17. Subdivision (7) of section 3 of said chapter 32 is hereby amended by deleting paragraph (b) and inserting in place thereof the following new paragraph: —

(b) In no event shall the total benefits received by such member from all such systems be greater than he would have received had his total regular compensation been received from a single governmental unit. The amount of any pension, retirement allowance or other benefit to be paid on account of any person who is a member of two or more such systems shall be computed and paid in such proportions as may be ordered by the actuary. No pension or retirement allowance shall become effective on account of any such person's membership in one system until the date the member terminates his service in any other governmental unit. Any board may conduct separate medical examinations for any member who is a member of two or more systems; provided, however, that the commissioner may suspend or otherwise limit such examination upon recommendation of the regional medical panel if it determines such second examination would be unnecessary based on the evidence of the first examination. Any such person so jointly employed shall have all the rights and be subject to the liabilities under the provisions of sections one to twenty-eight, inclusive, as a member of each of such systems, and his liability for regular deductions and his right to benefits from each system shall be based upon his regular compensation received from the governmental unit to which such system pertains.

SECTION 18. Subdivision (7) of section 3 of said chapter 32 is hereby amended by deleting paragraph (d) and inserting in place thereof the following new paragraph: —

(d) If any person who is a member of two or more systems terminates his service in one governmental unit otherwise than by retirement but continues in service in one or more other governmental units, his membership in the system pertaining to the former governmental unit shall thereupon be transferred to the system of the governmental unit to which he is devoting the major portion of his employment and the provisions of subdivision (8) of this section shall be applicable, provided, that an individual awarded a disability pension from the system pertaining to the former governmental unit who continues his service in one or more other government units shall waive receipt of the disability retirement allowance during the period of such continued service, and provided further, that the membership of such individual awarded a disability pension shall not thereupon be transferred to the system of the government unit to which he is donating the major portion of his employment. In no event shall any member be eligible to receive a retirement allowance from one system while continuing in service in any governmental unit, except as provided for in section ninety-one, or in section twenty-six of chapter six hundred and seventy of the acts of nineteen hundred and forty-one, or in chapter sixteen of the acts of nineteen hundred and forty-two as amended. In no event shall any member who terminates his service in one governmental unit be entitled to withdraw his accumulated total deductions from the system pertaining to such governmental unit while still retaining his membership in any other system, except for the purpose of transfer thereof to such other system.

SECTION 19. Subdivision (8) of said section 3 of said chapter 32 is hereby amended by adding after the first sentence of paragraph (c) the following new sentence: —

The actuary shall consider length of service and whether the respective systems have elected to accept the provisions of paragraph (b½) at section twenty-two when computing such portions. No system which has not accepted the provisions of said paragraph shall be assessed any costs for service in any other system which has accepted the provisions of said paragraph.



SECTION 20. Paragraph (1) of subdivision (1) of section 4 of said chapter 32 is hereby amended by inserting after the word "system" in line 1 of said paragraph the following: — who most recently became a member prior to January 1, 1986, and who.

Said subdivision (1) of said Section 4 of said chapter 32 is hereby amended by inserting the following paragraph: —

(1½) Any member of a retirement system who most recently became a member on or after January 1, 1986, and is engaged in a teaching position and who previously served in a position in the state department of education under the control of the commissioner of education but who was paid directly by the federal government from federal funds, may establish such service as creditable service by depositing in the annuity savings fund of the system of which he is a member the amount which would have been withheld as regular deductions from his salary for such service, plus regular interest to the date of such deposit.

Paragraph (n) of subdivision (1) of section 4 of said chapter 32 is hereby amended by inserting after the word "system" in line 1 of said paragraph the following: — who most recently became a member prior to January 1, 1986, and.

Section 4 is hereby amended by inserting the following paragraph: —

(n½) Any member of a retirement system who first became a member on or after January 1, 1986, and who previously served in a position with the Veterans Employment Service of the United States Employment Service and who, during such service, was attached to and served at offices of the Division of Employment Security, but who was paid directly by the Federal Government from federal funds, may establish such services as creditable service by depositing in the annuity savings fund of the system of which he is a member the amount which would have been withheld as regular deductions from his salary for such service, plus regular interest to the date of such deposit.

SECTION 21. Subdivision (3) of said section 4 is hereby amended by adding after paragraph (a) the following sentence: —

Within six months of the filing of a statement of service of any member the board shall issue said prior service certificate.

SECTION 22. Subdivision (3) of said section 5 of said chapter 32 is hereby amended by inserting at the end thereof the following paragraph: —

(e) The personnel administrator together with the commissioner of public health and the secretary of public safety shall establish health and physical fitness standards for employees referred to in section ninety-four, except those to whom section sixty-one A of chapter thirty-one applies. Such standards shall be established by regulations promulgated by the administrator after consultation with representatives of police, firefighter and other public safety unions, and the Massachusetts Municipal Association. Notwithstanding the provisions of this paragraph, any municipality may adopt, subject to collective bargaining, stricter health and physical fitness standards. Such standards shall be reasonably adjusted to reflect the age and experience of such employees. Such standards shall be utilized by boards to determine whether such employees are allowed to continue in employment in accordance with the procedures established in said section sixty-one A. Such standards shall be used to determine the employee's ability to perform his duties and are not to be construed to be the same as disability standards. Said personnel administrator shall establish a program of initial and in-service medical and physical fitness examinations in which such employees shall be required to participate at regular intervals. This section shall apply in all cities, towns, districts or other governmental units which accept the provisions of section 5A.

SECTION 23. Said chapter 32 is hereby further amended by inserting the following new section: —

*Section 5A.* Any city, town, district or other governmental unit which accepts the provisions of this section shall establish a wellness program for employees referred to in section 94 (except those to whom section sixty-one A of chapter thirty-one applies), if any, employed in such city, town, district or other governmental unit. Such wellness program shall be in accordance with the minimum requirements



established by the department of public health pursuant to section 203 of chapter 111. The commonwealth and any agencies or authorities thereof shall establish such programs for any such employees employed by said commonwealth, agencies or authorities, and shall be deemed to have accepted this section for the purposes of paragraph (e) of subdivision (3) of section 5.

Any city, town, district or other governmental unit but not including the commonwealth, its agencies or authorities, which accepts the provisions of this section and provides wellness programs pursuant thereto shall be reimbursed for the lesser of i) one-half the costs thereof or ii) one hundred dollars per employee, by the commonwealth, upon certification by the secretary of public safety. The secretary shall certify the amount of such reimbursement to be paid to such city, town, district or other governmental unit from information filed on or before September first of each year with said secretary by the appointing authority.

**SECTION 24.** Paragraph (a) of subdivision (2) of section 7 of said chapter 32 is hereby amended by striking out clauses (ii) and (iii), and inserting in place thereof the following new clauses: —

(ii) A yearly amount of pension equal to seventy-two per cent of the annual rate of his regular compensation on the date such injury was sustained or such hazard was undergone, or equal to seventy-two per cent of the average annual rate of his regular compensation for the twelve-month period for which he last received regular compensation immediately preceding the date his retirement allowance becomes effective, whichever is greater; provided, that for any employee who was not a member in service on or before January first, nineteen hundred and eighty-six, or who has not been continuously a member in service since that date, the total yearly amount of the sum of such pension and the annuity as determined in accordance with the provisions of subparagraph (i) of this paragraph shall not exceed seventy-eight percent of the annual rate of regular compensation as determined in this paragraph; and provided further, that no individual who is a member in service on January first, nineteen hundred and eighty-six, whose pension is limited by the seventy-eight percent limitation as established in this subparagraph, shall receive an amount of pension that is less than seventy-two percent of such individual's regular compensation on said January first, nineteen hundred and eighty-six; and

(iii) A yearly amount of additional pension determined at the rate of three hundred and twelve dollars yearly for any surviving unmarried child of such member who is under age eighteen or who was over said age and physically or mentally incapacitated from earning on the date of such member's retirement; provided, that in the state and teachers' systems and any other system electing to accept the supplemental dependent allowance, the yearly amount of such additional pension shall be determined by the actuary as hereinafter provided. Such additional pension on account of any child shall be paid only so long as such child survives, remains unmarried and is under the age eighteen or, if over said age, remains physically or mentally incapacitated from earning or, if over said age and under age twenty-one, is a full-time student at an accredited educational institution. The words "full-time student" shall mean a child who is in full-time attendance in an accredited educational institution offering full-time courses of study equivalent to or higher than secondary school study. The words "accredited educational institution" shall mean any school, college, or university that is licensed, approved, accredited, as the case may be, in the state in which it is located. Beginning July first, nineteen hundred and eighty-five, the actuary shall fix the additional pension provided by the supplemental dependent allowance at a rate of four hundred and fifty dollars for each eligible child. Beginning July first, nineteen hundred and eighty-six, the actuary shall increase the supplemental dependent allowance rate by an amount equal to the percentage increase of the cost of living determination made by the general court for such year pursuant to section one hundred and two of this chapter. Systems may adopt the supplemental dependent allowance by an affirmative vote of the retirement board, ratified by the chief executive officer and legislative body as defined in paragraph (i) of subdivision (8) of section twenty-two.

**SECTION 25.** Chapter 32 of the General Laws, as most recently amended by chapter 630 of the acts of 1982, is hereby further amended by striking out paragraph (3) (a) of Section 7, and inserting in place thereof the following: —



(a) Lapse of time or failure to file notice of an injury sustained or a hazard undergone as provided for in subdivision (1) of this section or in subdivision (1) of section nine, as the case may be, shall not be a bar to proceedings under either of said sections if such member received payments on account of such injury or hazard under the provisions of chapter one hundred and fifty-two or in case he was classified in Group 2, Group 3 or Group 4 and not subject to the provisions of chapter one hundred and fifty-two, if a record of such injury sustained or hazard undergone is on file in the official records of his department.

SECTION 26. Chapter 32 of the General Laws, as most recently amended by chapter 630 of the acts of 1982, is hereby further amended by striking out the third sentence of paragraph (4) (b) of section 7, and inserting in place thereof the following sentence: —

All such payments due under the provisions of this paragraph from the second governmental unit shall be charged to the pension funds of the system pertaining thereto, or if there is no such system then they shall be paid by such governmental unit from a special appropriation, and as received they shall be credited to or appropriated for the pension fund of the system pertaining to the first governmental unit.

SECTION 27. Subdivision (1) of section (8) of said chapter thirty-two is hereby amended by striking out said subdivision, and inserting in place thereof the following new subdivision: —

(1) Reexamination of members. (a) The board may require any member retired for disability under the provisions of section six or seven who has not attained age sixty or, in the case of a member so retired subsequent to his sixtieth birthday, the age of sixty-five, to submit to a mental or physical examination pursuant to paragraph (b) once in each year during the five-year period next succeeding the date of his retirement, and in each three-year period thereafter, by the regional medical panel provided for in subdivision (3) of section six, or upon a written request thereof by any such member. The board shall permit such examination at any time before he attains age sixty or sixty-five, as applicable, but not more frequently than once in any twelve-month period. If such member shall refuse to submit to any such required examination, his retirement allowance may be discontinued, and if such refusal continues for one year thereafter, all his rights in and to the pension provided for in section six or seven shall be revoked by the board.

(b) Each retirement board shall, subject to the provisions of paragraph (a) of this subdivision, establish a program for the reevaluation of members retired on a disability under the provisions of this chapter which shall consist of the following: —

(i) No less often than once in each year during the five-year period next succeeding the date of his retirement and once every three years thereafter prior to his attainment of the age of sixty, or in the case of a member retired subsequent to his sixtieth birthday, the age of sixty-five, each retired member shall be subject to a desk review of his disability conducted by the board.

(ii) If, as a result of such desk review, as a result of the submission of earnings information under section ninety-one A, or as a result of the completion of a rehabilitation program under subdivision (5) of section twenty-one, the board determines that the disability warrants further review, the board shall petition the commissioner to appoint either a single physician or a three member regional panel to examine the retired member, notwithstanding the time limitations of paragraph (a) of this subdivision. If a single physician is appointed, he shall conduct an independent reexamination and shall forward his recommendations to the board and the commissioner.

(iii) If the single physician recommends that a further reexamination of the retired member is warranted, the board shall immediately petition the commissioner for the establishment of a three member regional medical panel to conduct a reexamination of the member within sixty days.

SECTION 28. Paragraph (b) of subdivision (2) of section (8) of said chapter 32 is hereby amended by striking out the second sentence therein, and inserting in the place thereof the following new sentence: — Any creditable service in effect for him at the time of his retirement for disability shall thereupon be restored to full force and effect, and upon his subsequent retirement he shall be entitled to a normal



yearly amount of retirement allowance computed as though such disability retirement and reinstatement had not taken place. No additional member contributions shall be required as a precondition of receiving any such creditable service.

SECTION 29. Subdivision (3) of section eight of said chapter thirty-two is hereby amended by striking out said section in its entirety and by inserting in the place thereof the following new subdivision: —

(3) (a) Modifications of retirement allowance. If, as a result of the report of such medical panel, as a result of the submission of earnings information under section ninety-one A, or as a result of the completion of a rehabilitation program under subdivision (5) of section twenty-one, the board finds that such retirement member is engaged or is able to engage in gainful occupation and that the annual rate of his actual or potential earnings is less than his regular compensation as defined in this subdivision, but is more than the difference between such regular compensation and the normal yearly amount of his retirement allowance, than the yearly amount of his pension shall be reduced, and if his actual or potential earnings are more than such regular compensation, his pension shall be suspended. Notwithstanding any other provisions of this section, if such retired member submits earnings information pursuant to section ninety-one A, indicating earnings in excess of regular compensation, as therein described, such member's pension shall be reduced as provided for in this subdivision and shall not be increased for a period of one year unless a medical panel finds that the mental or physical condition of such member has deteriorated. If the annual rate of his earnings should later be changed, the yearly amount of his pension shall be further modified by reinstating, increasing, reducing, or suspending it, as the case may be. The yearly amount of such reduced or modified pension at all times shall be equal to the excess, if any, of the amount of such regular compensation over the sum of the yearly amount of regular life annuity payable to him under clause (i) of Option (a) of subdivision (2) of section twelve and the annual rate of his current actual or potential earnings, but in no event shall it exceed the yearly amount of the pension originally granted to him as adjusted pursuant to section one hundred and two. For purposes of this subdivision, regular compensation means, subject to further definition by regulations of the division of public employee retirement administration, regular compensation which would have been payable during the preceding year had the member continued in service in the grade held by him at the time he was retired. The commissioner of public employee retirement shall promulgate regulations for the determination of the potential earnings of any such retired member based upon such member's functional capacity, age, education and experience. Any such modification may be appealed by the member to the contributory retirement appeals board.

(b) If any such retired member is subject to a modification of his retirement allowance pursuant to paragraph (a) of this subdivision, and if such modification results in a new pension which is less than or equal to eighty percent of the pension prior to the modification, the board shall offer such member a lump sum settlement which shall be an amount equal to one hundred and ten percent of the actuarial present value of the reduced pension from the date the member is found subject to modification of his pension less the actuarial present value of any superannuation retirement benefit to which such member would be entitled if he retired at age 55 for a member classified in group 4, age 50 for member classified in group 3, age 60 for a member classified in group 2, or age 65 for a member classified in group 1, based on the number of years of creditable service earned at the time of such modification, as determined by the actuary.

The retired member may accept such lump sum settlement or reject such settlement and receive the modified pension. A member receiving a lump sum settlement will remain a member inactive with such creditable service including the period while retired for disability as of the date of the settlement. Such member may apply for superannuation benefits if eligible, at any time after the lump sum settlement. Acceptance of the lump sum settlement shall terminate all further rights of such member to retirement benefits resulting from any such disability; provided that such member shall continue to be eligible for any group health benefits which such member received while retired for disability. The retirement board



offering such lump sum settlement shall file such documentation with the commissioner of public employee retirement as he may require. Except for the filing of such documentation, lump sum settlements entered into pursuant to this section shall not otherwise be subject to the provisions of paragraph (d) of section twenty-one.

(1) Prior to approval of any lump sum settlement, the office of education and vocational rehabilitation shall review the following factors with the employee, and, at the employee's request, with any other person the employee may wish to consult:

(a) the employee's rights under this chapter and the effect a lump sum settlement would have upon such rights;

(b) the findings of the board;

(c) the total income and financial prospectus of the employee including all means of support;

(d) the purpose for which the settlement is requested;

(e) the employee's post-injury earnings and prospects, including the projected income and financial security of any proposed project of employment, self employment, business venture, or investment and the prudence of consulting with a financial or other expert to review the likelihood of success of such projects; and,

(f) any other information, including the age of the employee and of his dependents, which would bear upon whether the settlement is in the best interest of the member.

The office of education and vocational rehabilitation shall initiate such review within fourteen (14) days of its receipt of a request by an employee for a settlement review. Said office shall send a report on the review to the board within five (5) days of the completion of the review. A settlement review shall be considered to have taken place and a report on such review to have been received by the reviewing board if the office of education and vocational rehabilitation does not initiate a review within fourteen (14) days of receipt of request or send a report to the reviewing board within five (5) days of completion of the review; but in any case, no more than twenty-eight days shall transpire from the date of a receipt of said request to the date of the report to the reviewing board, provided, however, that no settlement shall be approved for any employee who fails to attend a scheduled review without good cause.

(2) No lump sum shall be approved by the reviewing board unless the members of the reviewing board, after receiving a report on the settlement from the office of education and vocational rehabilitation, deem such settlement to be in the employee's best interest in light of the factors reviewed by the office of education and vocational rehabilitation pursuant to clause (1) of this subdivision.

(3) No lump sum agreement shall be approved which contains as part of a settlement a general or specific release that would serve as a bar to (i) employment with any employer, (ii) the receipt by the employee of any pay or benefits due him by an employer, (iii) the bringing of any future claim or (iv) the bringing of any claims of wrongful discharge or breach of contract. All such general or specific releases shall be null and void.

The office of education and vocational rehabilitation shall inform each employee seeking a lump sum settlement of the unlawfulness of such general or specific releases.

The board shall reimburse the commissioner of the department of industrial accidents for the costs of the services provided by said office of education and vocational rehabilitation. Such reimbursement shall be according to a schedule promulgated by said commissioner. The costs of such reimbursement shall be charged to the expense fund of the system.

SECTION 30. Section (8) of said chapter thirty-two is hereby further amended by inserting the following new subdivision: —

(4) The commissioner of public employee retirement may require any member retired for disability under the provisions of section six or seven who has not attained the age of sixty or, in the case of a member so retired subsequent to his sixtieth birthday, the age of sixty-five to participate in an evaluation to determine whether such member might benefit from a medical or vocational rehabilitation program. Such evaluation may include medical examinations, vocational testing and meetings and



consultation with physicians and vocational counselors to consider and design a suitable rehabilitation program. Such rehabilitation programs shall include only services which shall appear on a list established by the commissioner pursuant to subsection (5) of section twenty-one or as specifically approved by said commissioner. If such member shall refuse to submit to any such evaluation, his retirement allowance may be discontinued, and if such refusal continues for one year thereafter all his rights in and to the pension provided for in section six or seven shall be revoked by the board.

If, following evaluation, the commissioner determines that such retired member would benefit from such a rehabilitation program, the commissioner shall offer to provide such rehabilitation program for such member and shall pay the costs of the program less any benefits payable under insurance policies of the member for such programs and less any scholarships or grants otherwise available for such programs. No such program shall extend longer than fifty-two weeks unless the commissioner so approves. No member shall be required to participate in any rehabilitation program.

SECTION 31. Subdivision (3) of section 11 of said chapter 32 is hereby amended by adding in the first sentence of the first paragraph after the words "pension reserve fund" the words "or the commonwealth's pension liability fund".

SECTION 32. Option (c) of subdivision (2) of section 12 of said chapter 32, as most recently amended by section 2 of chapter 600 of the acts of 1968, is hereby further amended by striking out the first paragraph and inserting in place thereof the following paragraph: —

Option (c) Joint and Last Survivor Allowance. — A lesser retirement allowance which shall be payable to such member during his lifetime, with the provision that two-thirds of the yearly amount of such lesser retirement allowance shall be continued during the lifetime of and paid to such surviving eligible beneficiary as such member shall have nominated in his written election of this option; provided, however, that such eligible beneficiary shall receive not less than two-thirds of the retirement allowance such member is receiving at the time of his death and provided that if such eligible beneficiary dies on or after the date such lesser retirement allowance becomes effective and before the death of such member, such member thereafter shall be paid a full retirement allowance and may not choose another option. Such full retirement allowance shall be determined by multiplying the amount of the lesser retirement allowance at the time of the death of such eligible beneficiary by a fraction the numerator of which is the yearly amount of the full retirement allowance which such member would have received at the time his retirement allowance became effective if he had elected that it be paid in accordance with the terms of option (a) of this subdivision, and the denominator of which is the yearly amount of the lesser retirement allowance which such member received at the time his retirement allowance first became effective.

SECTION 33. Said option (c) of subdivision (2) of section 12 of said chapter 32 is hereby further amended by striking out the second and third sentences of the second paragraph and inserting in place thereof the following two sentences: — The yearly amount of such lesser retirement allowance shall be determined so that the value, on the date such allowance becomes effective, of the prospective payments to such member and to such eligible beneficiary shall be the actuarial equivalent of the value on such date of the full retirement allowance specified in option (a) of this subdivision; provided that the yearly amount of such lesser retirement allowance shall be decreased to reflect the costs to the system of providing full retirement allowances in accordance with the first paragraph of this option. Any such lesser retirement allowance payable under this option shall be divided between annuity and pension in the same proportion as the corresponding full retirement allowance specified in option (a) of this subdivision is so divided, and any such full retirement allowance payable under this option shall be divided between annuity and pension in the same proportion as the lesser retirement allowance which it replaces.

SECTION 34. Option (d) of subdivision (2) of section 12 of Chapter 32 is hereby amended by striking the second paragraph and inserting in place thereof the following paragraph: —



Any eligible beneficiary having a right under this option may, within ninety days from the date that the board received notice of the death of the member and any eligible spouse having a right under this option may, within ninety days from the date that the board mailed notice regarding the right of election to the spouse, make any make-up payments which at the time of death the member had a right to make for the purpose of obtaining credit for service rendered by the member prior to his last becoming a member.

SECTION 35. Amend chapter 32 by adding after section 14 the following new section: —

*Section 14A. Third Party Recovery.* If a member or beneficiary entitled to a pension under the provisions of section six, seven or nine, also has a right to recover lost wages from any party other than his employer by reason of the same injury or death of such member, the amount of any such recovery for lost wages shall be offset against and payable in lieu of any pension payable on his account under the provisions of said sections according to a schedule approved by the actuary which is consistent with that set forth in paragraph (1) (c) of section fourteen. If any such member or beneficiary neglects or fails to prosecute fully such right, the board shall prosecute such right on the member's behalf. In the event the member or beneficiary fails to cooperate with the board in its prosecution thereof the board may, during the period of such failure, suspend such member's or beneficiary's right to further payment under the provisions of section six, seven or nine.

SECTION 36. Section 15 of said chapter 32 is hereby amended by adding after subdivision (3A) the following subdivision: —

(4) Forfeiture of pension upon misconduct. In no event shall any member after final conviction of an offense involving violation of the laws, applicable to his office or position, be entitled to receive a retirement allowance under the provisions of section one to twenty-eight, inclusive, nor shall any beneficiary be entitled to receive any benefits under such provisions on account of such member. The said member or his beneficiary shall receive, unless otherwise prohibited by law, a return of his accumulated total deductions; provided, however, that the rate of regular interest for the purpose of calculating accumulated total deductions shall be zero.

SECTION 37. Section 16 of chapter 32 is hereby amended by striking out subdivision (4) and inserting in place thereof the following paragraph:

(4) Right of Appeal to Contributory Retirement Appeal Board. — There shall be an unpaid contributory retirement appeal board which shall consist of three members as follows: an assistant attorney general who shall be designated in writing from time to time by the attorney general who shall act as chairman, a member appointed by the governor for a term of five years, and the commissioner of public health or his designee. The members of the contributory retirement appeal board shall be compensated for any expenses incurred in the performance of their official duties. On matters other than those subject to review by the district court as provided for in subdivision (3), or other than those which would have been subject to such review had the requirement for the minimum period of creditable service been fulfilled, any person when aggrieved by any action taken or decision of the retirement board or the commissioner of public employee retirement rendered, or by the failure of a retirement board or the commissioner of public employee retirement to act, may appeal to the contributory retirement appeal board by filing therewith a claim in writing within fifteen days of such action or decision of the retirement board or the commissioner, or may so appeal within fifteen days after the expiration of the time specified in sections one to twenty-eight, inclusive, within which a board or the commissioner must act upon a written request thereto, or within fifteen days after the expiration of one month following the date of filing a written request with the board or the commissioner if no time for action thereon is specified, in case the board or the commissioner failed to act thereon with the time specified within one month, as the case may be. The contributory retirement appeal board, after giving due notice, shall, not less than ten nor more than sixty days after filing of any such claim of appeal, assign such appeal to the division of administrative law appeals for a hearing. The division of administrative law appeals shall maintain the



official records of the contributory retirement appeal board. The division of public employee retirement administration shall be made a party to all such appeals. The contributory retirement appeal board shall pass upon the appeal within six months after the conclusion of such hearing, and its decision shall be final and binding upon the retirement board involved and upon all other parties to the appeal, and shall be complied with by such board and by such parties. Any person, upon making an appeal involving a disability retirement allowance, shall be permitted to retire for superannuation retirement, if otherwise eligible, pending the decision of the contributory retirement appeal board, but in no event shall such action prejudice the person from receiving any further benefits which the contributory retirement appeal board may grant in its decision nor shall the person upon a finding in favor of the employer be required to reimburse the employer for payments made prior to the decision of the contributory retirement appeal board.

On appeals involving disability or where medical reports are part of the proceedings, the contributory retirement appeal board may request further information from the members of the appropriate regional medical panel, or may employ a registered physician to advise them in determination of an appeal.

The contributory retirement appeal board shall have the power to subpoena witnesses, administer oaths and examine such parts of the books and records of the parties to a proceeding as relate to questions in dispute. Fees for such witnesses shall be the same as for witnesses before the courts in civil actions, and shall be paid from the appropriation fund of the division of administrative law appeals.

The contributory retirement appeal board, acting through the division of administrative law appeals, shall arrange for the publication of its decisions and the cost of such publication shall be paid from the appropriation fund of the division of administrative law appeals.

The contributory retirement appeal board shall establish a reasonable fee structure for appeals brought under this section, which shall be subject to the approval of the commissioner of administration.

The division of administrative law appeals shall submit to the contributory retirement appeal board on an annual basis a report on the status of all cases that have been assigned to the division of administrative law appeals for a hearing.

**SECTION 38.** Section 18 of said chapter 32 is hereby amended by adding after subdivision (1) the following subdivision: —

(1A) Filing of Reports and Penalties for Failure to File. — The treasurer or other disbursing officer in charge of payroll in any governmental unit or agency to which a system pertains, upon request from the board or the commissioner shall submit such written information as shall be required by the provisions of section one to twenty-eight, inclusive, or by rules and regulations of the board or the commissioner consistent with law. If the board or the commissioner is satisfied that there has been unreasonable delay in the filing of any such required information, the board or the commissioner shall so notify in writing such treasurer or other disbursing officer. If within thirty days thereafter, the board or the commissioner has not received such required information, it shall so notify the treasurer or other disbursing officer and the chief executive officer for the governmental unit. If sixty days thereafter, the required information has still not been submitted, the governmental unit in any system operating under the provisions of section 22c or 22d, as applicable, shall pay to the pension reserve fund of such system an amount equal to one percent of the payroll of the governmental unit or agency in each month that the information remains unsubmitted. The board or the commissioner may petition the superior court to compel compliance with this section and enforce the penalty thereunder.

**SECTION 39.** Subdivision (3) of section 20 of said chapter 32 is hereby amended by striking the second sentence of the paragraph (b) and inserting in place thereof the following sentence: —

Said board shall consist of three members as follows: the county treasurer, who shall be a member ex officio and serve as chairman, one member hereinafter referred to as the elected member, and one member of the county retirement board advisory council who shall be elected by a majority of those present and voting at a public meeting of said council, properly posted, called specifically for such election pursuant to paragraph (g).



SECTION 40. Subdivision (5) of said section 20 of said chapter 32 is hereby amended by deleting in paragraph (d) the words "as provided for in subdivision (3) of section six".

SECTION 41. Subdivision (5) of said section 20 of said chapter 32 is hereby amended by adding after the second sentence in paragraph (g) the following sentences: —

If the commissioner is satisfied that there has been unreasonable delay in the filing of any such required data, the commissioner shall so notify in writing such board. If within thirty days thereafter the commissioner has not received such required data, he shall so notify the board and the chief executive officer for the governmental unit or units to which the system pertains. The commissioner may petition the superior court to compel compliance with this section and/or enforce the penalty thereunder. To ensure the maintenance of accurate and current membership records and payment information, the commissioner may, for any system which fails to submit the requested information within sixty days of the second board notification, send his agent or agents to examine the records and accounts of the system and to direct such actions by the board and/or its employees as may be required to comply with acceptable recordkeeping and accounting standards.

SECTION 42. Said chapter 32 is hereby further amended by striking in the second sentence of paragraph (h) of subdivision (5) of section 20 the word "deputy".

Said paragraph (h) of said subdivision (5) of said section 20 of said chapter 32 is hereby further amended by striking in the second sentence the word "twenty-three" and inserting in place thereof the word "twenty-one".

SECTION 43. Paragraph (i) of subdivision (5) of section 20 of chapter 32 is hereby amended by striking out the second sentence therein and inserting the following: — Such report shall contain, at a minimum, the exhibits provided for in clauses (vii), (viii), and (ix) of paragraph (c) of subdivision (3) of section 21 of chapter 32. The commissioner of administration shall make available to each board such information, as shall be required to prepare said annual report. Said report shall be presented in a manner which is understandable to a lay person. The retirement law commission, in consultation with said commissioner and with the Massachusetts Association of Contributory Retirement Systems, shall provide technical assistance to said boards in the preparation of said reports, and shall prepare samples of reports which would effect the purposes of this section.

SECTION 44. Chapter 32 of the General Laws is hereby amended by adding after section 20A the following section: —

*Section 20B. Indemnification.* In any civil action brought against a member, employee or the investment committee of the State Retirement Board, the Teachers' Retirement Board, or any member or employee of the Pension Reserves Investment Management Board or a member or employee of a retirement board accepting a delegation of investment responsibility from said Pension Reserves Investment Management Board, the defense or settlement of which is made by the attorney general or by an attorney employed by said board, such member, committeeman or employee shall be indemnified for all expenses incurred in the defense thereof and shall be indemnified for damages to the same extent as provided for public employees in chapter two hundred and fifty-eight; provided, however that the claim arose out of acts performed by such member, committeeman or employee while acting within the scope of his official duties; and provided further that no member, committeeman or employee shall be indemnified for expenses in an action or damages awarded in such action, in which there is shown to be a breach of fiduciary duty, an act of willful dishonesty or an intentional violation of law by such member, committeeman or employee.

SECTION 45. Section 21 of said chapter 32 is hereby amended by striking the first sentence of paragraph (1) (a) and inserting in place thereof the following five sentences: —



The commissioner of public employee retirement shall prescribe and supervise methods of accounting and recordkeeping for each system maintained under the provisions of this chapter. To ensure the maintenance of accurate and current membership records and payment information, the commissioner may, for any system which fails to submit the requested information upon notice as prescribed in subdivision (5) of section twenty, send his agents to examine the records and accounts of the system and to direct such action by the board and/or its employees as may be required to comply with acceptable recordkeeping and accounting standards. The commissioner shall require each board to keep in convenient form such data as is required for the purpose of valuing the assets, determining the liabilities of the system, making actuarial investigation of the experience of the system, and for promulgating rules and regulations governing the administrative procedures and for maximizing the assets of such system. Such data shall be submitted to the office of the commissioner of public employee retirement within such time as he may specify.

The commissioner or his agent shall conduct an in-depth field examination of each board at intervals not exceeding three years to ascertain its financial condition, its ability to fulfill its obligations, whether all parties in interest have complied with the laws applicable thereto, and whether the transactions of the board have been in accordance with the rights and equities of those in interest.

SECTION 46. Said section 21 of said chapter 32 is hereby amended by striking the first sentence of paragraph (1) (b) and inserting in place thereof the following sentence: —

Each such system, except any system accepting the provisions of section 22c or 22d as the case may be, shall be credited in its financial accounts with its investments having a fixed term and rate, if amply secured in the judgment of the commissioner of public employee retirement and not in default as to principal or interest, as follows: if purchased at par, with the par value; if purchased above or below par, with an amortized value so determined as to yield approximately the effective rate of interest at which the purchase was made and to bring the value to par at the date of maturity or at the date the security is first callable at par if prior thereto; provided, that the purchase price of any such security shall not be taken at a higher value than its actual market value when purchased; and provided, that the value of any security on the date of any valuation thereof shall not be taken at a higher value than its callable value, if any, on such date.

SECTION 47. Said section 21 of said chapter 32 is hereby amended by striking paragraph (1) (d) and inserting in place thereof the following paragraph: —

(d) The commissioner of public employee retirement is authorized to review all pensions granted by the retirement boards; provided, that benefits awarded pursuant to section one hundred of this chapter shall be awarded by action of the retirement board upon submission of such documentation as the commissioner may require; provided further, that such award of section one hundred benefits shall not be otherwise subject to the provisions of this paragraph; provided further, that failure to file the required documentation shall subject the board to such action as the commissioner may take pursuant to this chapter; and provided further, that no such action by the commissioner to secure proper documentation shall delay or impede payment by the board of the section one hundred benefits. The commissioner may remand any pension reviewed pursuant to this paragraph with written instructions to the retirement board for further proceedings if he finds that the decision of the board is (1) made upon unlawful procedure, (2) unsupported by a preponderance of the evidence, (3) arbitrary and capricious, or (4) as a result of fraud or misrepresentation. The commissioner shall take such action within thirty days of the date when he is notified by a retirement board of the granting of such pension. If within such time period, the commissioner takes no action, the determination of the retirement board shall be considered approved by the commissioner. The commissioner, after any remand, shall make a written decision, including a statement of the reason therefor, and send copies thereof to the board and to the applicant. If the commissioner remands any such pension, the applicant may directly appeal such remand to the contributory retirement appeal board pursuant to subdivision (4) of section sixteen. The board, upon



receipt of any such remand, and unless notified that the applicant has taken a direct appeal of the remand to the contributory retirement appeal board, shall act on the remanded application within forty-five days of receiving such remand. If the board again grants such pension, the commissioner shall review and act on such pension within fifteen days of notification by the board. If the commissioner again remands such pension, he shall make a written decision, including a statement of reasons therefor, and send copies thereof to the board and the applicant. Upon such second remand, the applicant may directly appeal to the contributory retirement appeal board pursuant to subdivision (4) of section sixteen. Upon the request of the applicant filing such appeal, the division of administrative law appeals shall determine, within thirty days of such request, whether such applicant has a reasonable expectation of success, and if so, the division of administrative law appeals shall award such appellant an interim benefit. Such interim benefit shall be as if the pension was approved; provided, that the amount of such benefit shall be equal to the greater of i) any superannuation retirement benefit for which the member is otherwise eligible or ii) the lesser of the benefit applied for or fifty percent of the annual compensation upon which such benefit is calculated; and provided further, that such benefit shall be terminated upon an adverse decision of the contributory retirement appeal board. The appellant or the commissioner may appeal the decision regarding interim benefits by the division of administrative law appeals to the contributory retirement appeal board. A new request to award interim benefits or a request by the commissioner to terminate interim benefits may be filed after one hundred and twenty days from the date of the original decision to award or deny same. Interim benefits shall be paid prospectively from the date on which they are awarded. No police officer or firefighter receiving benefits pursuant to section one hundred and eleven F or Section 111N of chapter forty-one shall have such benefits terminated on the basis of retirement until the commissioner approves such retirement, or until thirty days after the commissioner is notified by a retirement board of the granting of such pension if the commissioner fails to act; provided, that no such benefits shall be so terminated if the commissioner remands such matter.

SECTION 48. Said section 21 of said chapter 32 is hereby amended by adding after paragraph (1) (d) the following new paragraph: —

(e) The commissioner shall establish general guidelines for the administration of systems, including, but not limited to, recommendations regarding retirement system staffing, facilities, compensation, purchasing and budgets. Such guidelines shall be in the nature of advice to each board, but shall not be subject to the commissioner's intervention pursuant to subdivision (5) of section twenty and paragraph (e) of this subdivision.

SECTION 49. Said chapter 32 is hereby further amended by striking in both the second and fifth sentences of subdivision (2) of section 21 the word "deputy".

SECTION 50. Said section 21 of said chapter 32 is hereby amended by striking subdivision (3) and inserting in place thereof the following subdivision: —

(3) Duties of Actuary. — The commissioner of public employee retirement or his actuary or other agent with his approval shall be the technical advisor of the board of each such system in matters relating to the operation of the system, and shall perform such actuarial duties as are required in connection therewith, including, but not limited to: —

(a) The approval of the amount of all allowances under the provisions of said chapters; provided, that any system failing to submit such allowances for review shall be subject to such intervention and supervision as the commissioner deems necessary pursuant to the provisions of subdivision (1) of this section;

(b) The annual valuation of assets and liabilities of each system;

(c) Such other investigations as the commissioner shall deem necessary.

The commissioner of administration shall require the preparation of triennial actuarial valuation reports, with the first one to be completed as of January first, nineteen hundred and eighty-eight and experience investigations every six years, in such manner as he deems most appropriate.



(i) The periodic experience investigation required shall accompany every other actuarial valuation report and shall cover the six-year period ending as of the end of the year preceding the date for which the actuarial valuation report is filed. For the initial filing pursuant to this chapter, the experience investigation shall be made for the six-year period ending as of the end of the plan year occurring on or after December 31, 1987, and before December 31, 1988. The experience investigation shall be filed with the commissioner of administration, the retirement law commission, the commissioner of public employee retirement, and the clerks of the house and senate.

(ii) The actuarial valuation report and/or experience investigation required shall be prepared under the supervision and at the direction of the commissioner of administration in consultation with the retirement law commission, and said commissioner shall also be responsible for the filing of the documents. The actuarial valuation report and/or experience investigation shall be signed by said commissioner indicating that to the extent of his understanding and knowledge, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the retirement systems.

(iii) Each actuarial valuation report and experience investigation is a public record. The commissioner of administration shall take whatever steps are deemed necessary to insure that the information contained in the actuarial valuation report or experience investigation is made available to active members or benefit recipients of the retirement systems.

(iv) The actuarial valuation report shall contain actuarial exhibits, financial exhibits and demographic exhibits. The actuarial exhibits shall be prepared and certified by an enrolled actuary. The remaining exhibits may be prepared by a qualified person other than an enrolled actuary. The financial and demographic exhibits shall be prepared as of the year ending immediately prior to the valuation date.

(v) For each retirement system, all applicable actuarial exhibits shall be prepared in accordance with the entry age normal actuarial cost method with entry age established as the actual entry age for all plan members unless there are compelling reasons of an actuarial nature for the use of an alternative actuarial cost method.

(vi) The actuarial cost method shall be used to value all aspects of each retirement system, unless there are compelling reasons of an actuarial nature for the use of approximation techniques other than the actuarial cost method for aspects of the retirement system other than the retirement benefit.

(vii) The actuarial exhibits shall use actuarial assumptions which are, in the judgement of the actuary and the commissioner of administration, the best available estimate of future occurrences in the case of each assumption. With respect to economic actuarial assumptions, which shall include estimates of rates of future occurrences concerning, but not necessarily limited to, increases in salary, growth in state revenues, post retirement adjustments, and investment earnings, asset appreciation or depreciation and procedures to determine the actuarial value of assets used in the preparation of actuarial valuations of the retirement system and other actuarial calculations, documentation explaining and justifying the choice of assumptions shall accompany the report. The actuarial exhibits shall measure all aspects of the retirement system in accordance with modifications in the statutory benefits, if any, and salaries which as of the valuation date are known or can reasonably be expected to be in force during the ensuing calendar year. The actuarial valuation report shall contain the following actuarial exhibits;

(1) An exhibit of the normal cost of the benefits provided by this chapter as of the date of the actuarial valuation, expressed as a percentage of the future covered payroll of the active membership of the retirement system as of the date of the actuarial valuation.

(2) An exhibit of the actuarial accrued liability of the retirement system as of the date of the actuarial valuation in total which shall be the actuarial present value of all projected benefits provided by this chapter reduced by the actuarial present value of future normal costs, and in particular, which shall include the following required actuarial present values for pension plan benefits of related items:

(1) Required actuarial present values on account of active members:

(A) retirement benefits



- (B) disability benefits
- (C) survivor benefits
- (D) refund liability due to withdrawal from active service or death
- (E) other benefits, specifying the nature of each type.

This item shall include a footnote indicating the amount of accumulated member contributions without accrued interest.

(II) Required actuarial present values on account of former members with a deferred, vested or otherwise nonforfeitable right to a retirement benefit.

(III) Required actuarial present values on account of former members who do not have a deferred, vested or otherwise nonforfeitable right to the retirement benefit and who have not withdrawn any accumulated member contributions.

(IV) Required actuarial present values on account of benefit recipients:

- (A) retirement benefits
- (B) disability benefits
- (C) surviving spouse benefits
- (D) surviving child benefits
- (E) other benefits, specifying the nature of each type.

(V) Required actuarial present values for other benefits provided by this chapter specifying the nature of each type.

(VI) Actuarial present value of future normal cost.

(3) An exhibit of the unfunded actuarial accrued liability of the retirement system in total, which shall be the actuarial accrued liability of the system calculated pursuant to paragraph (2) less the actuarial value of assets of the system and which, in particular, shall include the following:

(I) The remaining balance of the unfunded actuarial accrued liability in existence as of the first actuarial valuation report required by this section occurring next following the date of the enactment of this section.

(II) The remaining balance of each increment of unfunded actuarial accrued liability attributable to modifications in statutory benefits which were applicable to active members, separately indicating each and designating each by the plan year in which the benefit modification was made effective.

(III) The remaining balance of each increment of unfunded actuarial accrued liability attributable to modifications in statutory benefits which were applicable to retired members and other benefit recipients, separately indicating each and designating each by the plan year in which the benefit modification was made effective.

(IV) The remaining balance of each increment of net unfunded actuarial accrued liability attributable to modifications in the actuarial assumptions used to calculate the actuarial accrued liability of the retirement system separately indicating each and designating each by the plan year in which the actuarial assumption modification was made effective.

(V) The remaining balance of each increment or decrement of net unfunded actuarial accrued liability attributable to net actuarial experience losses or gains, separately indicating each and designating each by the plan year in which the actuarial experience loss or gain was recognized.

The initial determination of the unfunded actuarial accrued liability attributable to a modification in statutory benefits or to a modification in the actuarial assumptions used to calculate the actuarial accrued liability of the system shall be made by calculating the unfunded actuarial accrued liability of the system in accordance with statutory benefits and actuarial assumptions which were in effect prior to the modification and by calculating the unfunded actuarial accrued liability of the system in accordance with the modification in the provisions of this chapter or the actuarial assumptions used to calculate the actuarial accrued liability of the system, whichever is applicable, and the remaining statutory benefits and actuarial assumptions. The initial determination of the unfunded actuarial accrued liability attributable to an actuarial loss shall be made in conjunction with the analysis of increases or decreases in the unfunded actuarial accrued liability of the pension plan required pursuant to paragraph (6).



(4) An exhibit of any additional funding costs associated with the amortization of any unfunded actuarial accrued liability of the pension plan, indicating for each increment of unfunded actuarial accrued liability specified in paragraph (iii). The amortization target date applicable for each type of increment of unfunded actuarial accrued liability shall be as follows:

(I) For the unfunded actuarial accrued liability in existence upon the effective date of this section, at the end of the plan year occurring in fiscal year two thousand and twenty-four.

(II) Increment or decrement of net unfunded actuarial accrued liability attributable to a change in actuarial assumptions, at the end of the plan year occurring twenty years after the calendar year in which the actuarial assumption modification was effective.

(III) Increment of net unfunded actuarial accrued liability attributable to a modification in statutory benefits applicable to active members, at the end of the plan year occurring twenty years after the calendar year in which the benefit plan modification was effective.

(IV) Increment of unfunded actuarial accrued liability attributable to a modification in statutory benefits applicable to retired members and other benefit recipients, at the end of the plan year occurring ten years after the calendar year in which the benefit plan modification was effective.

(V) Increment or decrement of net unfunded actuarial accrued liability attributable to an actuarial experience loss or gain, at the end of plan year occurring fifteen years after the calendar year in which the actuarial experience loss or gain was recognized.

The exhibit shall indicate the total dollar amount of additional funding costs associated with the amortization of any unfunded actuarial accrued liability of the retirement system applicable for that plan year and any subsequent plan year occurring prior to the preparation of the next required actuarial valuation report, which shall be the total of the additional funding costs associated with the amortization of each increment of unfunded actuarial accrued liability. In calculating the additional funding costs associated with the amortization of any unfunded actuarial accrued liability of the system in any plan year, any amortization contributing made in the interval since the last actuarial valuation report shall be allocated to each type of increment of unfunded actuarial accrued liability in proportion to the remaining amount of each type.

(5) An exhibit of the total administrative cost of the retirement system for the plan year occurring immediately prior to the plan year for which the actuarial valuation report is made.

(6) An exhibit containing an analysis of the increase or decrease in the unfunded actuarial accrued liability of the retirement system since the most recent prior actuarial valuation report, including specifically an indication of increases or decreases due to the following:

(I) Modifications in the statutory benefits

(II) Changes in actuarial assumptions

(III) Deviations in the actual experience of the retirement system from the experience expected by virtue of the actuarial assumptions.

(IV) Presence or absence of payments to amortize the unfunded accrued liability of the pension plan.

(V) Other reasons.

The analysis shall be based on the best professional judgement of the actuary reached after preparing the various applicable actuarial exhibits of the actuarial valuation report. If, in the opinion of the actuary, the inclusion of any portion of this information is not appropriate, that portion of the analysis may be omitted with the provision of adequate explanation or justification of the appropriateness of the omission.

(7) An exhibit summarizing the economic and demographic actuarial assumption used in the preparation of the actuarial exhibits.

(8) A summary of the principal provisions of the statutory benefits upon which the actuarial exhibits are based.

(viii) Each financial exhibit shall be prepared in a manner which is consistent with the other financial exhibits contained in the actuarial valuation report and the financial exhibits contained in the most recent prior actuarial report. The accounting basis for the financial exhibits shall be disclosed. The financial exhibits shall be prepared in a fashion which is reasonably calculated to fairly and accurately disclose the financial condition and affairs of the retirement system. In the event that there is imple-



mented a change in the manner in which the financial exhibits are prepared, the financial exhibits prepared for inclusion in the actuarial valuation report for the year in which the change is implemented shall be prepared in accordance with both the change and the manner previously employed. The actuarial valuation report shall include the following financial exhibits:

(1) An exhibit of the assets of the retirement system and indicating their fair market value and their value pursuant to rules and regulations issued by the commissioner of public employee retirement, which shall reflect variations in asset mix and reduce the impact of market fluctuations.

(2) An exhibit of the current liabilities of the retirement system in total and in particular, which shall include the following items:

(I) accounts payable.

(II) retirement benefit payments.

(III) disability benefit payments.

(IV) survivor benefit payments.

(V) refunds to members.

(VI) accrued administrative expenses.

(VII) other current liabilities, if any, specifying the nature of each type.

(3) A statement of the accumulated member contributions.

(4) An exhibit of the income of the retirement system in total and in particular, which shall include the following items:

(I) member contributions.

(II) commonwealth contribution, if any.

(III) municipal contributions, if any.

(IV) interest on debt securities.

(V) dividends on equity securities.

(VII) recognized unrealized capital gains on equity securities.

(VIII) dividends on insurance policies or contracts.

(IX) other income, if any, specifying the nature of each type.

(5) An exhibit of the deductions from the income of the retirement system in total and in particular, which shall include the following items:

(I) statutory benefit payments.

(A) retirement benefits.

(B) disability benefits.

(C) survivor benefits.

(D) refunds to members terminating employment.

(E) refunds on behalf of deceased active, former or retired members.

(F) other benefit payments, if any:

(II) administrative expenses incurred.

(III) realized capital losses on equity securities.

(IV) recognized unrealized capital losses on equity securities.

(V) other deductions from income, if any, specifying the nature of each type.

The exhibit shall indicate the accounting basis on which the information presented in the exhibit was prepared.

(6) An exhibit indicating the administrative cost incurred by the retirement system in such detail as is deemed appropriate by the commissioner.

(ix) Each actuarial valuation report shall include the following demographic exhibit in the form of a summary tabulation of numbers and amounts, which shall be presented in the following form:

(1) Active Members	Number	Annual
As of last valuation date		
New entrants		
Total		



Separations from active service

Refund of contributions

Separation with neither  
Refund nor Deferred Benefit

Disability

Death

Retirement with service

Retirement benefit

Total separations

As of current date

(2) Benefit Recipients

Number

Annual

As of last valuation date

New Benefits recipients

Total

Terminations

Deaths

Other

Total terminations

As of current valuation date

The tabulation required pursuant to this paragraph shall be made separately for each of the following classes of benefit recipients:

- (I) Service retirement benefit recipients.
- (II) Ordinary disability benefit recipients.
- (III) Accidental disability benefit recipients.
- (IV) Survivor benefit recipients.
- (V) Deferred benefit recipients.

(x) The experience investigation shall contain sufficient information to substantiate the actuarial assumptions upon which the actuarial exhibits of the most recent actuarial report shall be based, including the following items:

(1) A comparison for each year of the last six-year period of the actual experience of the retirement system and the experience of the system expected pursuant to the actuarial assumptions other than the retirement age assumption which were used in preparing the actuarial exhibits of the actuarial valuation report of the retirement system and which in the judgment of the actuary significantly affect the results contained in those actuarial exhibits.

(2) A statement of the average ages at which retirement benefit recipients have terminated service as an active and commenced receipt of retirement benefits for the following groups:

- (1) All persons currently receiving a retirement benefit as of the date of the experience study.
- (II) Persons newly becoming retirement benefit recipients as a separate group for each of the last six plan years.

(3) A recommendation by the enrolled actuary concerning the retention or modification of the actuarial assumptions previously used to prepare the actuarial exhibits of the actuarial valuation report of the pension plan.

(xi) In compiling the first actuarial valuation and experience investigation pursuant to this section, the enrolled actuary may omit any otherwise required information if appropriate data is unavailable. Such omission shall be noted in the said reports by said actuary with an explanation of the data unavailability and a plan to obtain such information for all future valuations and investigations.

SECTION 51. Subdivision (5) of section 21 of said chapter 32, as added by section 25 of chapter 630 of the acts of 1982, is hereby amended by striking out paragraphs (b), (c) and (d) and inserting in place thereof the following paragraphs: —

(b) The commissioner shall in conjunction with the industrial accident rehabilitation board establish a list of medical and vocational rehabilitation facilities, both public and private, and physicians as are available to render competent medical rehabilitation services for disabled persons. Medical rehabilitation services shall include medical, surgical, hospital, prosthesis, and physical restoration services. No medical rehabilitation facility shall be considered as qualified unless it is established to provide rehabilitation services for persons suffering from some specialized or general type of disability within the field of employment injury, and unless such facility is operated under the supervision of physicians qualified to render rehabilitation services and is staffed with trained and qualified technicians. No physician shall be considered as qualified unless he has had experience for a reasonable term of years in a qualified rehabilitation facility.

(c) The commissioner shall make available to every board the list of qualified physicians and medical and vocational rehabilitation facilities. The commissioner shall also review proposed rehabilitation programs not contained in such lists which may be submitted to the commissioner by boards from time to time for approval. If the commissioner finds that such proposed rehabilitation programs meet equivalent standards as those qualified facilities on the list, the commissioner shall approve such programs. The commissioner shall monitor the quality of rehabilitation programs and facilities and the utilization of rehabilitation programs by each board, including the successful completion of such programs and the effect of such programs on the finances of the public employee retirement system.

(d) As soon as practicable following notice of the retirement of a member for disability under section six, seven, or twenty-six, the commissioner shall conduct an evaluation to determine whether such member might benefit from a medical or vocational rehabilitation program listed in paragraph (b) of this section or otherwise approved by the commissioner. To assist in this determination the commissioner may require any such member to be examined by a physician qualified to render rehabilitation services or by a vocational counselor selected by the commissioner, or both, for a recommendation as to the need and nature of any such rehabilitation program. If the commissioner determines that such member might benefit from any such program, he shall so notify such member and the retirement board and shall select a public or private rehabilitation agency having a rehabilitation program suitable for such member. Such member shall meet with the agency selected and shall cooperate with the agency in the design of a suitable rehabilitation program. If the commissioner determines that such retired member would benefit from such rehabilitation program, and that the program is reasonable in its terms and cost, he shall approve and offer to provide and pay for such program as provided in section eight. No member shall be required to participate in any such rehabilitation program. Notwithstanding the provisions of sections eight and ninety-one A, there shall be no reduction in the retirement allowance of any member participating in a rehabilitation program approved by the commissioner on account of actual or potential earnings arising out of such rehabilitation program.

(e) The commissioner shall keep a record of all disabled members subject to or receiving rehabilitation and shall provide that record to the retirement boards.

SECTION 52. Said section 21 of said chapter 32 is hereby further amended by adding at the end thereof the following subdivision: —

(6) Public Employee Retirement and Disability Data System. The commissioner of public employee retirement administration shall establish and maintain a comprehensive system of data relative to the contributory retirement and disability systems. The data system shall include sufficient information:



(a) to produce accurate and up-to-date actuarial valuations, reports and projections for each retirement system;

(b) in each of the areas of (1) disability retirement pursuant to sections six and seven (2) disability after retirement pursuant to section five, (3) compensation pursuant to chapter one hundred fifty-two, and (4) leave without loss of pay pursuant to section one hundred and eleven F of chapter forty-one, to review the status of each disabled individual as well as to review and report disability rates, types of disability, types of occupational injuries, effects of particular risk factors, effects of wellness and rehabilitation programs, and costs of disability programs, and to compare employment statistics by occupation with disability statistics;

(c) to produce an annual report of the investment portfolio, return on investment, and management performance of each retirement system;

(d) to index the decisions of the contributory retirement appeal board and other interpretations of retirement and disability law; and

(e) to calculate and record assessments on each retirement system by the division of public employee retirement administration.

Each board shall provide the commissioner with such information as the commissioner deems necessary to establish and maintain the data system. The executive head of each governmental unit or the head of each department shall provide the commissioner each year with such employment and occupational information as he deems necessary to establish and maintain the data system, in such form as he requires.

The commissioner is authorized to use the data collected pursuant to this section to make gross statistical studies of the retirement and disability programs. The commissioner shall make any such information available to the retirement law commission upon request of said commission.

**SECTION 53.** Section 22 of said chapter 32 is hereby amended by striking the first sentence and inserting in place thereof the following sentence: —

All the assets of each system as they exist at the commencement of business on January first, nineteen hundred and forty-six, and all the assets of each system received, acquired or held on or after such date shall, subject to the provisions of sections one to twenty-eight, inclusive, be credited according to the purposes for which they are received, acquired or held to one of the seven following funds in the system: namely, the Annuity Savings Fund, the Annuity Reserve Fund, the Pension Fund, the Special Fund for Military Service Credit, the Expense Fund, the Pension Reserve Fund, and the commonwealth's pension liability fund.

**SECTION 54.** Said section 22 of said chapter 32 is hereby amended by adding after paragraph (b) of subdivision (1) the following paragraph: —

(b½) The provisions of section fifty of chapter three hundred sixty-seven of the acts of nineteen hundred and seventy-eight shall not apply to any member of the state employees' and state teachers' retirement system, or systems electing to accept the provisions of this paragraph. Any system which is not an enrolled system may accept the provisions of this paragraph by majority vote of the board of each such system, subject to the approval of the legislative body. For purposes of this subparagraph, "legislative body" shall mean a town meeting in a town, the city council in a city, the county retirement board advisory council in a county, and the district members in a district. Acceptance shall be deemed to have occurred upon the filing of a certification of such votes with the commissioner. Any system electing to accept the provisions of this paragraph shall be required to annually appropriate, to the pension fund, in addition to such other amount as might be required by this chapter, an amount equal to the employer's normal cost of removing the restriction provided by said section fifty of said chapter three hundred sixty-seven, plus such amount as is required to amortize over fifteen years the liability created by such removal for such of those employees who entered service on or after January one, nineteen hundred and



seventy-nine and prior to January one, nineteen hundred and eighty-six and fail to exercise their individual option as hereinafter described. For any member of any system accepting the provisions of this paragraph, who entered the service of the commonwealth or a political subdivision thereof on or after January one, nineteen hundred and seventy-nine, the treasurer or other disbursing officer in charge of payroll in any governmental unit to which a system pertains, shall withhold on each pay day, in addition to the amounts withheld pursuant to paragraph (b) of this subdivision, an additional one percent of such member's regular compensation between thirty thousand dollars and forty-five thousand dollars, and an additional two percent of such member's regular compensation as is in excess of forty-five thousand dollars. In any system electing to accept the provisions of this paragraph, any member who entered service on or after January first, nineteen hundred and seventy-nine but prior to January first, nineteen hundred and eighty-six, may, by formal written notice to the retirement board within two years of the filing with the commissioner of a certification of acceptance by the system, elect to remain subject to the provisions of said section fifty of said chapter three hundred sixty-seven. An individual making such election shall not have withheld by the treasurer or other disbursing officer in charge of payroll in the appropriate governmental unit the additional amount provided for by this paragraph. Any member who entered service on or after January first, nineteen hundred and seventy-nine but prior to January first, nineteen hundred and eighty-six, who fails to make the election to remain subject to said section fifty, shall, before the date any retirement allowance becomes effective for him, pay into the annuity savings fund of the system in one sum, or in installments, upon such terms and conditions as the board may prescribe, make-up payments of an amount equal to the additional amount which would have been withheld from such member's regular compensation pursuant to this paragraph between January first, nineteen hundred and seventy-nine and December thirty-first nineteen hundred and eighty-five, together with regular interest. In the event any retirement allowance becomes effective for such member before the completion of such make-up payments, such member shall, in addition to credit for his actual non-section fifty restricted service rendered after January first, nineteen hundred and eighty-six, be entitled to non-section fifty restricted service for that portion of his creditable service rendered between January first, nineteen hundred and seventy-nine and December thirty-first, nineteen hundred and eighty-six which the total of his make-up payments actually made, together with regular interest thereon to the date his retirement allowance becomes effective, bears to the total amount of what his make-up payments, together with regular interest thereon to such later date, would have been had he made payment thereof in one sum on such latter date. In any system filing a certificate of acceptance with the commissioner on or before July first, nineteen hundred and eighty-six, the treasurer or other disbursing officer in charge of payroll in any governmental unit to which a system pertains shall withhold, from the regular compensation of such members subject to the additional amounts provided for by this paragraph, in such installments as the retirement board shall direct, an amount equal to the additional amount which would have been withheld from such member's regular compensation pursuant to this paragraph between January first, nineteen hundred and eighty-six and the date the certificate of acceptance is filed. In any system filing a certification of acceptance with the commissioner after July first, nineteen hundred and eighty-six, the additional deduction shall start as of the date of filing said application and no deductions shall be made from any regular compensation received between January first, nineteen hundred and eighty-six and the date said certification is filed; provided, that the liability created by removing the restriction provided by said section fifty for the payroll period from January first, nineteen hundred and eighty-six and the date said certification is filed shall be added to the amount to be amortized over fifteen years through the annual appropriation as required by the paragraph; and provided further, that all service in such system after January first, nineteen hundred and eighty-six shall be credited as non-section fifty restricted service. Notwithstanding any other provision of this chapter, in calculating the retirement allowance of any member who entered service after January first, nineteen hundred and seventy-nine where such member has both section fifty restricted service and non-section fifty restricted service, such allowance shall be calculated based upon the years of creditable service subject to the restriction and the years of non-section fifty service, as the actuary shall determine.



For the purposes of this section, the state teachers' and state employees' retirement systems shall be deemed to have accepted this section as of January first, nineteen hundred and eighty-six.

SECTION 55. Said section 22 of said chapter 32 is hereby amended by striking the first sentence of paragraph (c) in subdivision (1) and inserting in place thereof the following sentence: —

Any such treasurer or other disbursing officer in charge of payrolls shall, for the purpose of determining the regular compensation and regular deductions of any member in service who is receiving a non-cash maintenance allowance in the form of full or partial boarding and housing, add to the amount of the cash payment for the regular services of such member an amount at a rate which shall be determined by the personnel administrator if such member is a member of the state employee's retirement system or of the teachers' retirement system, by the county personnel board if such member is a member of any county system, and by the retirement board if such member is a member of a city or town system.

SECTION 56. Subdivision (2) of section 22 of said chapter 32 is hereby amended by striking out paragraph (b) and inserting in place thereof the following paragraph: —

(b) If any member who has been retired for disability is later restored upon recovery to active service before attaining the age of sixty-five as provided for in paragraph (2) (b) of section eight, an amount equal to the annuity reserve at the date of his restoration with respect to his annuity shall be transferred from the annuity reserve fund of the system to the credit of his account in the annuity savings fund thereof.

SECTION 57. Said section 22 of said chapter 32 is hereby amended by striking paragraphs (c) and (d) of subdivision (2) and inserting in place thereof the following paragraph: —

(c) If the balance remaining in the annuity reserve fund of any system at the close of business on December thirty-first of any year after the transfer of interest thereto as provided for in clause (ii) of paragraph (6) (a) of this section, is in excess of the total amount of the annuity reserve determined for such system as of such date in accordance with the provisions of paragraph (3) (b) of section twenty-one, the amount of such excess shall be transferred as of the next following September thirtieth from the annuity reserve fund to the pension reserve or commonwealth's pension liability fund of such system. If such balance is less than the total amount of such annuity reserve, an amount equal to such deficiency shall, to the extent not included in any deficiency being made up under the provisions of paragraph (c) of this subdivision, be similarly transferred as of such next following September thirtieth from the pension fund to the annuity reserve fund.

SECTION 58. Said section 22 of said chapter thirty-two is hereby amended by striking paragraphs (a) and (b) of subdivision (3) and inserting in the place thereof the following new paragraphs: —

(3) Pension Fund. — (a) The pension fund of each system shall be the fund to which shall be credited all amounts appropriated by the governmental unit or transferred from the pension reserve fund or commonwealth's pension liability fund pursuant to a funding schedule established pursuant to section 22C or 22D of this chapter for the purpose of providing for the cost of operation of the system exclusive of the expenses of administration, except such amounts as may be appropriated for the special fund for military service credit under the provisions of subdivision (4) of this section. Any balance remaining in the investment income account of the system at the close of business on December thirty-first of any year shall be transferred to the Pension Reserve Fund, or the commonwealth's pension liability fund, and any deficit in such account at such time shall be made up by transfer from the pension fund to such account of an amount equal to such deficit as provided for in clause (iii) of paragraph (a) of subdivision (6).

(b) All pensions to members or to beneficiaries and all pensions paid under the provisions of paragraph (8)(c) of section three or paragraph (4)(b) of section seven shall be paid from the pension fund of the system, and all amounts received under said provisions shall be credited to such fund. Amounts shall be transferred between the pension fund or the commonwealth's pension liability fund, as



applicable, and the annuity reserve fund as provided for in paragraph (2) (c) of this section and shall be transferred to the pension fund or the commonwealth's pension liability fund, as applicable, from the annuity savings fund as provided for in paragraph (6) (d) of this section and from the special fund for military service credit as provided for in paragraph (4) (c) of this section. Amounts shall also be paid from the pension fund or commonwealth's pension liability fund, as applicable, of one system and transferred to the special fund for military service credit of a second system as provided for in paragraph (4) (d) of this section. The board shall, with the approval of the actuary, make any other transfer between the pension fund or the commonwealth's pension liability fund, as applicable, and any other fund of the system which may be necessary to effectuate the purposes of sections one to twenty-eight, inclusive.

SECTION 59. Paragraph (c) of subdivision (3) of section 22 of said chapter thirty-two is hereby amended by adding at the end thereof the following new sentence: —

Alternatively, recognition of gains and losses on market value investments not sold may be amortized over a period of years as prescribed by the commissioner.

Notwithstanding the provisions of the above paragraph, or of any other general or special laws to the contrary, the Commonwealth shall assume the cost to any retirement system participating in the Pension Reserves Investment Fund for the charge to the pension fund of such system for the amortization of any loss sustained on the transfer of such system's assets to the Pension Reserves Investment Trust Fund due to the value of the units in said fund upon such transfer being less than the book value of the system assets transferred to said fund on the date of transfer; provided that the Commonwealth shall only assume the cost to such system for a loss in an amount equal to or less than 20% of the book value of the system's total portfolio on said date of transfer; provided further that the Commonwealth shall only assume the costs for such losses to participating systems transferring their assets to the Pension Reserves Investment Trust Fund on or before July 1, 1986; and provided further that such assumable losses shall not be included in the determination of required appropriations set forth in subparagraph (iii) of paragraph (d) of this subdivision. Such losses incurred by participating systems upon the transfer of their assets to the Pension Reserves Investment Trust Fund shall be amortized over the average time to maturity of the entering system's fixed income securities transferred or ten years, whichever is less.

SECTION 60. Subdivision (6A) of said section 22 of said chapter 32 is hereby amended by striking paragraph (a) and inserting in place thereof the following paragraph: —

(a) The Pension Reserve Fund of each system shall be credited all amounts set aside by a system for the purpose of establishing a reserve to meet future pension liabilities, including such amounts as may be set aside pursuant to a funding schedule established in accordance with section 22C or 22D of this chapter. Such amounts shall include the annual balance in the investment income account as provided for in clause (iii) of paragraph (a) of subdivision (6), and the undistributed accumulated total deductions as provided for in section eleven. From time to time, a system may credit to the Pension Reserve Fund other amounts appropriated to it or otherwise made available by the governmental unit. The pension reserve fund for the state employees' and teachers' retirement systems shall be the commonwealth pension liability fund.

SECTION 61. Subdivision (6A) of said section 22 of said chapter 32 is hereby amended by striking out paragraph (b) and inserting in the place thereof the following new paragraph: —

(b) Amounts may be transferred to the Pension Fund for the purpose of meeting present pension liabilities in accordance with a schedule developed by the board of each system and approved by the actuary to amortize unfunded pension liabilities. Such schedule of payments shall be designed to maintain a funding schedule which pays the normal cost of benefits for the system and amortizes any unfunded actuarial liability. Such schedule shall be adjusted in accordance with any state contributions provided from the PRIT fund to meet the unfunded pension liability of the system. The board of any system having adopted a funding schedule approved by the actuary, and of any system operating



pursuant to the provisions of section 22C or 22D of this chapter may, with the approval of the actuary, make a transfer between the pension reserve fund and the pension fund if, in the judgment of the actuary, a loss greater than ten per cent of the previous year's pension appropriation to the pension fund must be realized pursuant to paragraph (c) of subdivision (3) of this section; provided that any such transfer shall be repaid, together with regular interest from the date of such transfer, from the pension fund in five equal annual payments or any more rapid repayment schedule the board may adopt, subject to the approval of the actuary.

**SECTION 62.** Subdivision (7) of said section 22 of said chapter 32 is hereby amended by striking the first sentence through paragraph (a) and (b) and inserting in place thereof the following sentence and paragraphs: —

In order to effectuate the provisions of sections one to twenty-eight, inclusive, and to provide for each system the amounts required for the commonwealth's pension liability fund, the pension fund, the special fund for military service credit and the expense fund described in subdivisions (3), (4), (5), and (8), respectively, of this section, the following provisions are hereby made:

(a) **Expense Fund of the State Employees Retirement System and Teachers' Retirement System.** — On or before October fifteenth in each year, the state board of retirement and the teachers' retirement board, shall certify to the state treasurer and the commissioner of education, respectively, the amounts necessary to be appropriated and paid for the fiscal year commencing on the next following July first, for the expense fund of the state employees' retirement system and the teachers' retirement system. Items of appropriation shall be included in the appropriations for such fiscal year for the department of the state treasurer and the department of education to be allocated to the division of the state board of retirement and the division of the teachers' retirement board, respectively, for the expense funds of such systems.

(b) **Pension funds of the state employees' retirement system and the teachers' retirement system.** — The state board of retirement and the teachers' retirement board shall, on or before October fifteenth in each year, furnish the actuary with such information as he may require to enable him to determine the amount to be distributed from the commonwealth's pension liability fund to the pension funds of said systems, for the fiscal year commencing on the next following July first. The actuary shall, on or before December fifteenth immediately preceding such fiscal year, determine such amount and specify in a written notice to said boards the amounts so required. Upon the receipt of such notice, said board shall certify forthwith to the PRIM board the amounts necessary to be distributed and paid for such fiscal year for the pension fund and the special fund for military service credit of the respective system. The amounts necessary to be appropriated and paid for such fiscal year by the commonwealth for said commonwealth's pension liability fund shall be determined in accordance with the funding schedule adopted by the commissioner of administration pursuant to section twenty-two C, and items of appropriation for such amounts shall be included in the appropriations for such fiscal year for the PRIM board of such department as the commissioner of administration shall determine to be allocated to the commonwealth's pension liability fund.

**SECTION 63.** Said section 22 of said chapter thirty-two is hereby amended by striking out paragraphs (a), (b), and (c) and (d) of subdivision (8) as added by chapter 661 of the acts of 1983 and inserting in place thereof the following new paragraphs: —

(8) (i) **PRIT Fund.** (a) There shall be a Pension Reserve Investment Trust Fund administered by the PRIM board established in section twenty-three for the purpose of depositing, investing and dispersing amounts set aside to meet further liabilities of the various systems.

The commonwealth's pension liability fund, including any amounts in the reserves of the state employees' and teachers' retirement systems as of January first, 1986, shall be deposited in the PRIT Fund to the credit of the commonwealth, to defray its obligation toward the unfunded liabilities of said systems, and toward any other pension obligations which the commonwealth may by special or general law assume.



(b) All amounts which the state, pursuant to section 22B, may appropriate each year subsequent to January first, nineteen hundred and eighty-four to meet unfunded pension liabilities shall be deposited in the PRIT Fund and credited to the account of the state employees' retirement system, the teachers' retirement system and other participating systems as follows: the amount determined for each system shall be proportionate to the amount of assets of each system participating in the PRIT Fund as of July first for each fiscal year ending the following June thirtieth. The amounts so determined for each participating systems and an amount equal to the regular interest on assets in the PRIT Fund shall be credited to the several retirement systems.

For purposes of determining the share of the state employees' retirement system and the teachers' retirement systems assets shall include amounts held in the Pension Reserves Fund of said retirement systems prior to January first, nineteen hundred and eighty-four and transferred to the PRIT Fund, the undistributed accumulated total deductions as provided for in section eleven and all monies recovered for the cost of pension fringe benefits from federal grant funds pursuant to section six B of chapter twenty-nine.

(c) Upon notification by the chief executive officer and legislative body of a governmental unit of a decision to participate, systems shall transfer ownership and control of all the assets of the system to the PRIM Board. The PRIM Board shall hold such assets in trust for the participating systems. The PRIM Board shall credit assets and earnings on such assets to the individual systems. The PRIM Board shall calculate regular interest as defined in subdivision (6) to allocate earnings among the various funds of each system. The board of each system shall continue to administer the system in accordance with sections one to twenty-eight inclusive, including the maintenance of accounts in accordance with the funds provided for in this section. The PRIM Board shall transfer monies to the various funds of the participating systems to allow them to carry out their duties under this chapter. The board of each participating system shall notify the PRIM Board of the amounts needed for the various funds for the next fiscal year no later than ninety days before the start of the next fiscal year. The PRIM Board shall develop a schedule of transfers to be made to said systems during the next fiscal year and notify the systems of that schedule no later than thirty days prior to the start of the next fiscal year. The PRIM Board shall transfer such amounts in accordance with said schedule during the course of said fiscal year. From time to time such boards may make supplemental requests of the PRIM Board if the initial request is found to be insufficient. Within thirty days of such request, the PRIM Board shall approve or deny such request. Any denial of such a request must be accompanied by a written statement of the reasons therefor.

The procedure for determining participation shall occur as follows: on or before January first of each year, the PRIM board shall notify each system in writing of their option to participate in the PRIT Fund. Such notice shall be accompanied by a financial report and a description of the rights and duties of the PRIM board if a system elects to participate. The decision to participate shall be made by the board of each system, subject to the approval of the legislative body and the chief executive officer of each governmental unit. The decision of the board shall be deemed to have been approved unless the legislative body and the chief executive officer act to disapprove such decision by July first of the year in which the decision of such board is made. The board of each system shall notify the PRIM board and the appropriate legislative body and chief executive officer by May first of each year of its decision.

Notwithstanding any action by the board of each system, for any system in which the investment performance as determined by the commissioner using a time-weighted rate of return, is less than the performance of the PRIT Fund in each of three consecutive years or in any four years within a five-year period, whether such four years are consecutive or not, the commissioner shall notify the PRIM Board and the appropriate legislative body the chief executive officer by May first of the year following such performance evaluation that the board of such system has been deemed to have voted to participate. Participation based upon the commissioner's certification of performance shall be effective if the legislative body and the chief executive officer act to approve such participation by July first of the year in which the commissioner's certification and notice is made.



After the decision of a board of a system to participate has been approved, the decision of a board of a system to participate has been approved, the decision to participate may not be revoked for five years. Such revocation shall become effective six months after the PRIM board receives notification of such decision by such board. For purposes of this section, "legislative body" shall mean a town meeting in a town, the city council in a city, the county advisory board in a county, the district members in a district, and the members of an authority in an authority. For purposes of this section, "chief executive officer" shall mean the board of selectmen in a town, the mayor in a city, except in a city with plan D or plan E form of government it shall mean the city manager, in a municipality with a council form of government, the town manager and the county commissioners in a county. In a district or in an authority, "chief executive officer" shall mean the members of such district or authority. A system may purchase offerings of the PRIT Fund in accordance with clause (vii) of paragraph (b) of subdivision (2) of section twenty-three without becoming a participating system for purposes of this section.

(d) The amounts in the PRIT Fund shall be invested and managed in accordance with the authority of the PRIT board as created in section twenty-three. Amounts in the PRIT Fund shall be transferred back to each system for withdrawal or payment to members as otherwise provided by sections one to twenty-eight, inclusive.

All other amounts shall be distributed to each system during such calendar years as the actuary shall determine pursuant to subdivision (6A); such distributions shall be transferred to the Pension Fund of each system for such year. On March first, nineteen hundred and eighty-four and each subsequent calendar year, the commissioner of public employee retirement shall publish a report of the projected schedule of distribution of amounts from the PRIT Fund, as developed by the actuary with the assistance of the retirement law commission, and file such report with each system, with the commissioner of administration, and with the house and senate committees on ways and means.

SECTION 64. Said Subdivision (8) is hereby further amended by inserting the following new paragraph: —

(e) Commonwealth's Pension Liability Fund. (1) There shall be a Commonwealth's Pension Liability Fund which shall be within the PRIT Fund, and which shall be administered by the PRIM board established in section twenty-three for the purpose of depositing, investing and dispersing amounts set aside to meet further liabilities of the Commonwealth. For the state employees' retirement system and the teachers' retirement system all amounts held by said retirement systems on or after January first, nineteen hundred and eighty-six, except for the annuity savings fund, the annuity reserve funds and the expense funds, shall be transferred to the Commonwealth's Pension Liability Fund. Any assets of such systems transferred to the PRIT Fund prior to that date shall be credited to the Commonwealth's Pension Liability Fund.

(2) Except for expense funds pursuant to subdivision (5), and the annuity savings fund and annuity reserve fund of the state employees' retirement system and the teachers' retirement system, all appropriations, assets and funds of any such systems shall be deposited in the commonwealth's pension liability fund, and all distributions and payments by said systems shall be made by withdrawals from the commonwealth's pension liability fund.

Deposits in the commonwealth's pension liability fund shall include, but not be limited to, the following:

(i) all amounts held in the PRIT Fund to the credit of the state employees' retirement system and the teachers' retirement system;

(ii) all amounts appropriated by the state to meet pension liabilities, including the amounts appropriated pursuant to clause (a) of the last paragraph of section twenty-one of chapter one hundred and thirty-eight, and sections twenty-two B and twenty-two C of this chapter;

(iii) all monies recovered for the cost of pension fringe benefits from federal grant funds pursuant to section six B of chapter twenty-nine;

(iv) all monies recovered from federal grant funds, pursuant to section five D of chapter forty, for the cost of teachers' pension benefits;



(v) all monies transferred from the state employees' and teachers' retirement systems pursuant to the provisions of subdivision (2) (d) and subdivision (6) (a) (iii) of this section;

(vi) the undistributed accumulated total deductions for the state employees' and teachers' retirement systems as provided for in section eleven; and

(vii) all assets of the state employees' and teachers' systems except for such systems' expense funds, annuity savings funds, and annuity reserve funds.

All amounts required by the pension fund and special fund for military credit of the state employees' and teachers' retirement systems shall be provided by distribution from the commonwealths' pension liability fund.

Such distributions shall be made pursuant to the provisions of section one to twenty-eight, inclusive, of this chapter, or pursuant to the operating trust of the PRIM Board pursuant to subdivision (2A) of section twenty-three.

(viii) The amounts in the commonwealth's pension liability fund shall be invested and managed in accordance with the authority of the PRIM board as credited in section twenty-three.

**SECTION 65.** Subdivision (9) of said section 22 of said chapter 32, as added by chapter 412 of the acts of 1983, is hereby amended by striking the third and fourth paragraph and inserting in place thereof the following paragraphs: —

The treasurer of the governmental unit making the appropriation shall be the custodian of all funds deposited pursuant to this subdivision. Such funds may be invested in the same manner as retirement system funds pursuant to subdivision (2) of section twenty-three.

Such funds may be utilized in accordance with the provisions of subdivision (6A), or, subject to the approval of the actuary, in accordance with the provisions of paragraph (c) of subdivisions (7), or subdivision (3) of section twenty-two D.

**SECTION 66.** Section 22 of chapter 32 of the General Laws, as most recently amended by c. 373 of the acts of 1984, is hereby amended by adding at the end thereof the following: — (10) Each governmental unit to which a system pertains and any free public library the employees of which are eligible for membership in a system, pursuant to the provisions of section four hundred fourteen (h) (2) of the United States Internal Revenue Code, shall pick up and pay the contributions which would be payable by the employees as members under paragraph (1) (b) of this section. The contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code. Employee contributions which are picked up pursuant to this subdivision shall be treated and identified as member contributions for all purposes of the retirement system, except as specifically provided to the contrary in this subdivision.

Employee contributions picked up pursuant to this subdivision shall be paid from the same source of funds used for the payment of compensation to an employee. A deduction shall be made from an employee's compensation equal to the amount of the employee's contributions picked up by the employer. This deduction, however, shall not reduce the employee's compensation for purposes of computing benefits under the retirement system pursuant to this chapter or for purposes of determining any other employee benefits. Picked up contributions shall be transferred to the retirement system of which the employee is a member in accordance with the provisions of paragraph (1) (h) and shall be credited to a separate fund within the employee's account in the annuity savings fund of such system in order that the amounts contributed prior to the effective date for the pickup of employee contributions may be distinguished from the amounts contributed on or after the date on which the governmental employer is required by law to pick up the employee contributions.

**SECTION 67.** Said chapter 32 is hereby further amended by inserting after section 22B the following section: —

*Section 22C.* In each fiscal year, the state shall appropriate to the commonwealth's pension liability fund the amount necessary to fully fund the system. Such appropriations shall be made pursuant to the



most recent three year funding schedule adopted by the commissioner of administration, and approved by the general court. Said funding schedule shall be established and updated from time to time by said commissioner after reviewing the periodic actuarial valuation reports required by section twenty-one and such other reports as may be prepared pursuant to section one hundred and three of chapter six of the General Laws. Said commissioner shall establish said schedule such that the increase in the amortization component of the appropriations required by this section from year to year shall not exceed six and one-half percent.

Said funding schedule, and any future updates thereto, shall be designed to reduce the unfunded actuarial liability of all enrolled systems as of January first, nineteen hundred and eighty-three to zero as of June thirtieth, two thousand and twenty-five. Updates of the funding schedule required by changes in the projected unfunded actuarial liability as determined by any periodic actuarial valuation report pursuant to section twenty-one, may reflect the further amortization time periods authorized by said section twenty-one. The first such funding schedule shall be filed by said commissioner not later than March first, 1986, and subsequent schedules shall be filed triennially on March first. If, within forty-five days of such filing, the general court has taken no final action to disapprove any such schedule, such schedule shall be deemed to have been approved. All amounts so approved shall be a legal obligation of the commonwealth, and may be recovered in an action of contract.

SECTION 68. Chapter 32 of the General Laws is hereby further amended by inserting the following new section: —

*Section 22D.* (1) Systems other than the state employees' retirement system and the teachers' retirement system, upon notification by the legislative body of a governmental unit of a decision to accept the provisions of this section, shall establish a retirement system funding schedule, subject to the approval of the actuary, which shall, as far as practicable, provide for an increase in appropriations required by such schedule from year to year that shall not exceed four and one-half percent. In each fiscal year, the governmental units within such a retirement system shall appropriate to the pension fund and pension reserve fund of such system the amount necessary to fully fund the system pursuant to said schedule. The funding schedule shall be reviewed from time to time by the actuary after reviewing periodic actuarial valuation reports required by section twenty-one and such other reports as may be prepared pursuant to section one hundred and six of chapter six of the General Laws. Said funding schedule, and any future updates thereto, shall be designed to reduce the unfunded actuarial liability of all enrolled systems as of January first, nineteen hundred and eighty-three to zero as of June thirtieth, two thousand and twenty-five. Updates of the funding schedule required by changes in the projected unfunded actuarial liability as determined by any periodic actuarial valuation report pursuant to section twenty-one, may reflect the further amortization time periods authorized by said section twenty-one.

The procedure for determining whether a system has accepted this section shall occur as follows: On or before January first of each year prior to nineteen hundred and eighty-nine, the commissioner shall notify the legislative body of each governmental unit in writing of its option to accept. For purposes of this section, "legislative body" shall mean a town meeting in a town, the city council in a city, the district members in a district, and the members of an authority in an authority. In a county, for the purposes of this section, "legislative body" shall mean the town meeting of every town which is a member of the county system, the county commissioners on behalf of the county, and the district as provided in subdivision (4) of section 28 of this chapter, with the vote of each governmental unit the employees of which are members of any such system weighted in the proportion that the aggregate of the annual rates of regular compensation of all members in service of such system who are employees of any such governmental unit at the end of business on the September thirteenth immediately preceding the date on which any such vote is taken bears to the total of all such aggregates for all members in service of such system on such September thirtieth.

The notice from the commissioner shall be accompanied by a description of the rights and duties of the governmental unit if it elects to accept this section and become a funding system. The decision to become a funding system shall be made by the legislative body of each governmental unit. A majority vote of the



city council, town meeting, district or authority members shall enroll a city, town, district or authority retirement system. In counties, the department of revenue after consultation with the Massachusetts Municipal Association, shall review the commissioner's report within sixty days and make a recommendation for the consideration of town meetings of the towns and the district meetings of the districts which are within each county retirement system, and of the county commissioners of each such system. A majority of the votes as weighted pursuant to this section shall constitute acceptance for a county retirement system.

Systems may accept this section between January first, nineteen hundred eighty-six and December thirty-first, nineteen hundred and eighty-eight. The clerk of the legislative body in a governmental unit within a city, town or district retirement system shall notify the retirement board and the commissioner, of a decision to accept. The clerk of each governmental unit within a county system shall notify the county retirement board and the commissioner of any action by such governmental unit.

A decision to accept this section may not be revoked.

(2) In any system accepting the provisions of this section, the governmental units comprising such system shall identify enterprise operations with independent revenue sources from which pension costs may be recovered through fees, rates or charges. Notwithstanding any provision of law to the contrary, such systems are authorized to recover such pension costs. Any costs so recovered shall be transferred to the pension reserve fund.

(3) In establishing the funding schedule pursuant to subdivision (1) of this section, any pension reserve fund or funds appropriated pursuant to section five D of chapter forty as of July first, nineteen hundred and eighty-five, and interest earned thereon, shall not be included as assets of the retirement system. Such funds, and earned interest, shall remain to the credit of the governmental unit or units, as applicable, to be utilized to defray such unit's annual pension appropriation obligation pursuant to this chapter. Transfer of such pension reserve funds to defray pension appropriations shall only be made upon a schedule approved by the actuary which shall be designed to reduce the annual growth in such annual pension appropriation over the forty-year funding schedule.

(4) In addition to the amount required pursuant to section twenty-two C, the commonwealth shall appropriate in each fiscal year such amounts as are required to provide pension assistance grants to each system accepting the provisions of this section.

In each year which is prior to the sixteenth year following the adoption of a funding schedule pursuant to this section, each such system shall receive a pension assistance grant in an amount equal to one-half of the difference between the funding schedule appropriation required by subdivisions (1) and (3) of this section and the amount estimated by the actuary to be equal to the pension payment to be made in such year less the reimbursement by the commonwealth for cost of living adjustments; provided, that three months after the close of each fiscal year the actuary shall determine the difference between the actual and estimated pension payments less cost of living reimbursement and notify the state treasurer who shall adjust the next pension assistance grant payment accordingly. The state treasurer shall transfer the amount of such grants to the government units within each eligible retirement system in two installments: one-half on July first of each year and one-half on January first. The governmental units comprising any retirement system receiving pension assistance grants shall make the pension cost recovery required by subdivision (2) of this section and shall forward the lesser of one-half of any amounts so recovered or the amount of the pension assistance grant to the general fund of the commonwealth to defray the cost of the grants. The commissioner may review the pension cost recovery procedures established by any governmental unit receiving a pension assistance grant and may direct such action as he deems necessary to enforce the provision of this section.

(5) In addition to the amounts required pursuant to subdivision (4) of this section and section twenty-two C, the commonwealth shall transfer in each fiscal year from the commonwealth's pension liability fund such amounts as are required to provide pension assistance loans to each governmental unit receiving a pension assistance grant which applies for such loan. Any such governmental unit requesting a pension assistance loan shall file an application for such loan with the commissioner of public employee



retirement and with the chairman of the PRIM board on or before the January first prior to the start of the fiscal year in which the loan is to be made.

In each year which is prior to the sixteenth year following the adoption of a funding schedule pursuant to this section, each such governmental unit so applying shall receive a pension assistance loan in an amount equal to the pension assistance grant provided in subdivision (4). The PRIM board shall transfer the amount of such loan to such governmental unit in two installments: one-half on July first and one-half on January first. The governmental units receiving such pension assistance loans shall forward one hundred percent of the pension cost recovery provided for in subdivision (2) to the commonwealth's pension liability fund; provided, that no such recovery in excess of the sum of the pension assistance grant and the pension assistance loan shall be so transferred. No governmental unit shall be required to repay principal or interest on such pension assistance loans until the earlier of (i) the date fifteen years after the first pension assistance loan payment to the governmental unit and (ii) the date five years after the last pension assistance loan payment to said unit. Such pension assistance loan shall bear no interest until the repayment date. Repayment shall be made upon a schedule established by the actuary, subject to the approval of the PRIM board, which will repay the loan, plus interest from the repayment date equal to the interest assumption in the most recent actuarial valuation pursuant to section twenty-one, over a period of years equal to the lesser of fifteen years and the number of years in which pension assistance loans were made. All repayments shall be made and credited to the commonwealth's pension liability fund and shall defray the appropriation required by section twenty-two C in the years when due. Repayment of pension assistance loans shall be contractual obligations of the governmental units enforceable pursuant to section twenty-five. The state treasurer may withhold from local aid disbursements the amount of any pension assistance loan repayment which has not been met by any governmental unit, and transfer such amounts to the commonwealth's pension liability fund.

(5A) For the purposes of the grants and loans provided in subdivision (4) and (5) of this section, the commonwealth's obligation on behalf of any funding costs shall include one-half of any funding costs resulting from acceptance of the provisions of section 22(b½).

(6) Notwithstanding the provisions of subdivision (8) of section twenty-two, any system which has received a waiver from investment restrictions pursuant to subdivision (2) of section twenty-three and in which the investment performance as determined by the commissioner using a time-weighted rate of return, is less than the performance of the PRIT fund in each of three consecutive years or in any four years within a five year period, whether such four years are consecutive or not, shall, upon such certification by the commissioner, become a participating system in the pension reserve investment trust fund; and any system which has not received a waiver from investment restrictions, pursuant to subdivision (2) of section twenty-three and in which the investment performance as determined by the commissioner using a time-weighted rate of return, is less than the performance of the PRIT fund in each of two consecutive years or in any three years within a four year period, whether such three years are consecutive or not, shall upon such certification by the commissioner, become a participating system in the pension reserve investment trust fund; provided, that the provision of this subdivision shall only apply to systems receiving pension assistance grants or pension assistance loans pursuant to this section; and provided further, that no system participating in the PRIT fund pursuant to this subdivision may revoke such participation for five years after the later of the last pension assistance grant payment or the last pension assistance loan payment.

(7) Any system accepting any pension assistance grants or loans pursuant to this section shall transmit to each active and retired member, and to any other person actually receiving any benefit pursuant to this chapter, a copy of the annual report required by subdivision five of section twenty of this chapter.

**SECTION 69.** Section 23 of said chapter 32 is hereby further amended by adding after the second sentence of paragraph (c) of subdivision (2) the following new sentence: —

The board, subject to rules promulgated by the commissioner, may deposit such securities in a securities depository registered with the Securities and Exchange Commission of the United States.



SECTION 70. Subdivision (2) of section 23 of said chapter 32 is hereby amended by deleting paragraph (d) and inserting in place thereof the following paragraph: —

(d) Any person who assists any board or member thereof in the purchase, sale, investment or reinvestment of the funds of any such system, without the written consent of the commissioner of public employee retirement after notice in writing by him to such board or member to desist therefrom as provided for in subdivision four shall be punished as provided for in section twenty-four.

SECTION 71. Said chapter 32 is hereby further amended by striking in the first sentence of paragraph (e) of subdivision (2) of section 23 the words “March first” and inserting in place thereof the words “May first”.

SECTION 72. Subdivision (2) of section 23 of chapter 32 of the General Laws is hereby amended by striking paragraph (g) and inserting in place thereof the following: —

(g) Clause (i) to (vii) inclusive of paragraph (g) shall not apply to the board of any local retirement system which upon application is determined by the commissioner to have a record of investment management which merits broader investment powers, provided that: —

- (i) no funds are to be invested directly in mortgages or in collateral loans;
- (ii) subsequent to the date of such determination no funds are to be invested in any bank or financial institution which directly or through its subsidiaries has outstanding loans to the Republic of South Africa or its instrumentalities, and no assets shall be invested in stocks, securities or other obligations of any company doing business in or with the Republic of South Africa;
- (iii) subsequent to the date of such determination no funds are to be invested in any bank or financial institution which directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or deployment in any activity in Northern Ireland, and no assets shall be invested in the stocks, securities or other obligations of any company so engaged.

In making such determination the commissioner shall consider the diversification of the risk of the investments of such board, the return of the investments of such board, the past performance of the investment portfolio of such board and the extent and quality of professional advice received by such board regarding the investment of funds. Any such board shall invest and reinvest consistent with sound investment policy and the requirements of subdivision (3).

SECTION 73. Subdivision (2A) of section 23 of chapter thirty-two of the General Laws is hereby amended by striking out in paragraph (a) of said subdivision the words “the commissioner of public employee retirement ex officio” and inserting in the place thereof the following: — the commissioner of banks, ex officio.

SECTION 74. Subdivision (2A) of Section 23 of Chapter 32 of the General Laws is hereby amended by striking out paragraph (c).

SECTION 75. Clause (i) of paragraph (e) of subdivision (2A) of section twenty-three of chapter thirty-two of the General Laws, as appearing in section twenty-one of chapter six hundred and sixty-one of the acts of nineteen hundred and eighty-three is hereby amended by inserting at the end thereof the following: —, provided, however, that the duties and obligations of the PRIM Board and of participating or purchasing systems shall be set forth in a declaration of trust adopted by the PRIM Board, and provided further than any declaration of trust and any amendments thereto adopted by said Board shall be subject to the approval of the general court, and provided further that if the general court takes no final action relative thereto within forty-five days of the date of the filing thereof with the clerks of the House of Representatives and the Senate, such declarations of trust and such amendments thereto shall be deemed to be approved;



SECTION 76. Said paragraph (e) is hereby further amended by striking out clause (vi), and inserting in the place thereof the following: —

(vi) adopt an annual budget and supplemental budgets as deemed necessary by the board subject to the approval of the general court provided however, that if the general court has taken no final action to disapprove any such budget within sixty days of its being filed with said general court it shall be deemed to be approved; and provided further that if the general court disapproves any such budget within such sixty days, said board shall operate under the annualized budgetary level most recently approved pending the filing and subsequent approval of any other such annual or supplemental request.

SECTION 77. Said paragraph (e) is hereby further amended by adding the following new clause: —

(xi) File quarterly, on or before March 1, June 1, September 1, and December 1 of each year, with the House and Senate Committees on Ways and Means and with the Joint Committee on Public Service a report detailing brokerage transactions, fees paid to investment consultants and managers, master trustee and custody fees, a detailed investment portfolio analysis describing all holdings in the PRIT Fund, and a budget status report detailing expenses by month; provided that said analysis and said reports shall be made available on the first day of each month upon the request of the chairman of any said Committees.

SECTION 78. Said paragraph (e) is hereby further amended by adding the following new clause: —

(xii) Assess fees to participating and other purchasing retirement systems for the reasonable and necessary expenses incurred by the board in managing the PRIT Fund, which shall be paid by the board from earnings of the PRIT Fund without appropriation and in conformance with the budgetary levels established pursuant to clause (vi) of this paragraph.

SECTION 79. Paragraph (e) of subdivision 2A of Section 23 of Chapter 32 of the General Laws is hereby amended by adding the following clause: —

(xiii) be treasurer-custodian of the PRIT Fund and shall have the custody of the funds and securities of said fund.

SECTION 80. Said section 23 of said chapter 32 is hereby amended by striking subparagraph (ii) of paragraph (g) of subdivision (2A) and inserting in place thereof the following subparagraph: —

(ii) employ professional and clerical staff as necessary, including staff to advise and assist appointed members of the board; provided that each appointed member may have at his discretion, a staff person designated to advise and assist said member;

SECTION 81. Said section 23 of said chapter 32 is hereby amended by striking paragraph (h) of subdivision (2A) and inserting in place thereof the following paragraph: —

(h) Subject to the approval or ratification of the PRIM board, the executive director shall invest and reinvest such funds held by such board to the extent not required for current disbursements, as much as reasonably possible to benefit and expand the economic climate within the commonwealth so long as such is consistent with sound investment policy and the other requirements of this section; provided, however, that no funds are to be invested directly in mortgages or in collateral loans; provided, further, that the executive director shall transfer not less than two million dollars of said fund into a fund managed by the Massachusetts Technology Development Corporation on behalf of the board; and provided, further, that said Massachusetts Technology Department Corporation shall manage the fund in accordance with the provisions of section four A of chapter forty G; provided, further, that no funds are to be invested in any bank or financial institution which directly or through its subsidiaries has outstanding loans to the Republic of South Africa or its instrumentalities, and no assets shall be invested in stocks, securities or other obligations of any company doing business in or with the Republic of South Africa; and provided, further, that no funds are to be invested in any bank or financial institution which



directly or through any subsidiary has outstanding loans to any individual corporation engaged in the manufacture, distribution or sale of firearms, munitions, including rubber or plastic bullets, tear gas, armored vehicles, or military aircraft for use or deployment in any activity in Northern Ireland, and no assets shall be invested in the stocks, securities or other obligations of any such company so engaged.

SECTION 82. Said section 23 is hereby further amended by adding after subdivision (3) the following subdivision: —

(4) Orders to protect the system. If the commissioner determines that the investment or recordkeeping practices of any board are not being conducted with appropriate care, skill, prudence or diligence, he may order such board to take or desist from any action that in his judgment is necessary to preserve the integrity of the system. If the commissioner has reason to believe that the investment and recordkeeping practices of any board are not being conducted with appropriate care, skill, prudence or diligence, he may issue a temporary order which shall remain in effect until an investigation and determination can be made. Violation of any such order shall be punished as provided for in section twenty-four.

SECTION 83. Subdivision (1) of section 24 of said chapter 32 is hereby amended by striking out the first sentence, and inserting in place thereof the following sentence: —

If the commissioner of public employee retirement is of the opinion that any governmental unit or any officer or employee thereof, or the state board of retirement, the teachers' retirement board, or any other board subject to the provisions of sections one to twenty-eight, inclusive, or any member or employee of any such board, has violated or neglected to comply with any provision of such sections, or the rules and regulations established thereunder, he shall give notice thereof to the governor, county commissioners, the mayor, the board of selectmen, the Massachusetts Turnpike Authority, the Massachusetts Bay Transportation Authority, the Massachusetts Housing Finance Agency, the Massachusetts Port Authority, the Blue Hills Regional Vocational School system, the Greater Lawrence Sanitary District, or the Minuteman Regional Vocational Technical School District, as the case may be, and to the board and, thereafter, if such violation or neglect continues, shall forthwith present the facts to the attorney general who shall take appropriate action.

SECTION 84. Section 25 of said chapter 32 is hereby amended by striking paragraph (4) and inserting in place thereof the following paragraph: —

(4) The payment of all annuities, pensions, retirement allowances and refunds of accumulated total deductions and of any other benefits granted under the provisions of sections one to twenty-eight, inclusive, are hereby made obligations of the commonwealth in the case of any such payments from funds of the state employees' retirement system, the teachers' retirement system, or commonwealth's pension liability fund and obligations of the governmental unit in which the system is established in the case of payments from funds of any system established in any county, city or town or in the Massachusetts Turnpike Authority, the Massachusetts Bay Transportation Authority, the Massachusetts Housing Finance Agency, the Massachusetts Port Authority, the Blue Hills Regional Vocational School system, the Greater Lawrence Sanitary District or the Minuteman Regional Vocational Technical School District.

SECTION 85. Section 25 of said chapter 32 is hereby amended by adding after paragraph (5) the following paragraph: —

(6) (a) It is hereby declared that any actual or potential failure to comply with the applicable funding standard established by sections twenty-one, twenty-two, twenty-two D of this chapter threaten serious injury to the members contractual pension rights and benefits and the retirement systems. By expressly authorizing the remedy of mandamus herein, the general court intends to assist all persons or entities with a special responsibility or duty in relation to the retirement systems in securing that compliance.



In the event that any governmental unit other than the commonwealth fails to comply with its duty pursuant to said sections either to provide for in its budget, or to pay the full amount of its obligation towards the retirement system as specified in this chapter, the failure may be remedied by the institution of legal proceeding for mandamus. Every governmental unit is by this act on notice as to its duty to fund its retirement system. The provisions of this act shall be deemed to be sufficient demand to the governmental unit for it to comply with its duty and its failure for the year or years in question to include in its budget, or to pay, the full amount of its obligation towards the retirement system shall be deemed to be sufficient refusal to comply with its duty antecedent to the commencement of the action. No other remedy at law shall be deemed to be sufficiently adequate and appropriate to bar the commencement of this action. Any person or entity authorized pursuant to this paragraph to institute the action shall be deemed to have been injured by the failure to comply with the legal duty to fund the retirement system and that injury shall be deemed to be immediate. No issuance of mandamus in connection with the legal duty of a governmental unit to fund its retirement system shall be deemed to threaten the creation of confusion, disorder or excessive burden on the governmental unit or to threaten a result which is detrimental to the public interest.

(b) The division of public employee retirement administration shall have standing to institute a legal proceeding for mandamus as provided for in this section. The attorney general, or the district attorney of the county in which a retirement system is located, in addition to any other powers and duties conferred on that office by law, shall also proceed in the name of the commonwealth, upon request of the division or upon the person's own motion, to institute a legal proceeding for mandamus as provided for in this section.

Any mandamus pursuant to this section may compel the addition by the government unit to its current budget of any omitted amount of its pension obligation and the subsequent payment of any omitted amount of pension obligation with interest at the applicable compound rate, whichever is applicable.

SECTION 86. Subdivision (2) of section 26 of said chapter 32, as most recently amended by section 1 of chapter 650 of the acts of 1975, is hereby further amended by striking out paragraphs (b) and (c) and inserting in place thereof the following paragraph: —

(b) Upon retirement under the provisions of this subdivision a member shall receive a retirement allowance to become effective on the date of his retirement. Payments under such allowance shall be made as provided for in sections twelve and thirteen and the normal yearly amount thereof shall be equal to the sum of: —

(i) A yearly amount of annuity equal to the yearly amount of the regular life annuity specified in clause (i) of option (a) of subdivision (2) of section twelve; and

(ii) A yearly amount of pension equal to seventy-two percent of the annual rate of his regular compensation of the date such illness or injury was incurred, or equal to seventy-two percent of the average annual rate of his regular compensation for the twelve-month period for which he last received regular compensation immediately preceding the date his retirement allowance becomes effective, whichever is greater; provided, that for any employee who was not a member in service on or before January first, nineteen hundred and eighty-six, or who has not been continuously a member in service since such date, the total yearly amount of the sum of such pension and the annuity as determined in accordance with the provisions of subparagraph (i) of this paragraph shall not exceed seventy-eight percent of the annual rate of regular compensation as determined in this subparagraph; and provided further, that no individual who is a member in service on January first, nineteen hundred and eighty-six, whose pension is limited by the seventy-eight percent limitation as established in this subparagraph, shall receive an amount of pension that is less than seventy-two percent of such individual's regular compensation on said January first, nineteen hundred and eighty-six; and

(iii) A yearly amount of additional pension determined at the rate fixed by the actuary as hereinafter provided, for any surviving unmarried child of such member who is under age eighteen or who was over said age and physically or mentally incapacitated from earning on the date of such member's retirement.



Such additional pension on account of any child shall be paid only so long as such child survives, remains unmarried and is under the age eighteen or, if over said age, remains physically or mentally incapacitated from earning or, if over said age and under age twenty-one, is a full-time student at an accredited educational institution. The words "full-time student" shall mean a child who is in full-time attendance in an accredited educational institution offering full-time courses of study equivalent to or higher than secondary school study. The words "accredited educational institution" shall mean any school, college, or university that is licensed, approved, accredited, as the case may be, in the state in which it is located. Beginning July first, nineteen hundred and eighty-five, the actuary shall fix such additional pension at a rate of four hundred and fifty dollars for each eligible child. Beginning July first, nineteen hundred and eighty-six, the actuary shall increase such rate by an amount equal to the percentage increase in the cost of living determined by the general court for such year pursuant to section one hundred and two of this chapter.

SECTION 87. Said chapter 32 is hereby amended by striking in the fourth sentence of paragraph (4) (a) of section 28 the words "of the state board of retirement" and inserting in place thereof the words: —or the state board of retirement.

SECTION 88. Said chapter 32 is hereby amended by striking the fifth sentence of paragraph (4) (a) of section 28 and inserting in place thereof the following sentence: —

Any employee who becomes a member of a retirement system by the acceptance by a mosquito control project or district of this paragraph or by the acceptance by the county cooperative extension service of the county of Suffolk of this paragraph shall be credited with prior service in accordance with the provisions of sections one to twenty-eight, inclusive.

SECTION 89. Said chapter 32 is hereby amended by adding at the end of paragraph (4) (c) of section 28 the following sentences: —

Collaboratives shall annually reimburse the state board of retirement for the employer's normal cost as determined by the actuary, of benefits earned by collaborative employees during each calendar year. The actuary shall determine such cost as a percentage of the collaborative's payroll based upon the most recent actuarial valuation of the state retirement system.

SECTION 90. Section 28F of said chapter 32 is hereby repealed.

SECTION 91. Section 58B of said chapter 32 is hereby amended by striking in the second sentence of the fourth paragraph the words "date of death of the veteran" and inserting in place thereof the words "date it provided the spouse notice of the right to make an election".

SECTION 92. Said chapter 32 is hereby amended by striking the third paragraph of section 65C and inserting in place thereof the following paragraph: —

If a judge forty-five years of age or over but under age seventy who would be entitled, upon resigning, to a pension or retirement allowance for life under under sections sixty-five A or sixty-five D, except for not having attained age seventy, or if a judge forty-five years of age or over but under age sixty-five, who would be entitled upon resigning to a pension or retirement allowance under said section sixty-five A or sixty-five D, except for not having attained age sixty-five, or if a judge fifty-five years of age or over but under age sixty-five, who would be entitled upon resigning to a pension or retirement allowance for life under section sixty-five B, except for not having attained age sixty-five dies before resigning, the judge's surviving spouse shall receive a pension or retirement allowance for life computed as provided in the second paragraph except that, in making such computation the proportion of the annual rate of salary payable to a judge under section sixty-five A or sixty-five D or the proportion of the average yearly earning for the required years of service payable to a judge under section sixty-five B shall be reduced by



one percent for each year or part thereof by which the date of death precedes the attainment of the age at which the judge would have received, upon resigning, his pension or retirement allowance for life under section sixty-five A, sixty-five B or sixty-five D respectively.

SECTION 93. Section 65D of said chapter 32 is hereby amended by adding after the first sentence of subdivision (b) the following sentence: —

There shall be deducted and withheld from the salary of each judge appointed on or after January first, nineteen hundred and seventy-nine, a sum equal to eight percent of the first thirty thousand dollars salary of each judge, nine percent of such salary between thirty thousand dollars and forty-five thousand dollars and ten percent of such salary in excess of forty-five thousand dollars; provided, that any judge appointed between January first, nineteen hundred and seventy-nine and January first, nineteen hundred and eighty-six shall be subject to the provisions of paragraph (b½) of section twenty-two of this chapter. The provisions of section fifty of chapter three hundred and sixty-seven of the acts of nineteen hundred seventy-eight shall not apply to any judge subject to the additional deduction provided for in this section and section (b½).

SECTION 94. Section 65D of said chapter 32 is hereby amended by adding in the second sentence of subdivision (c) after the words “seven percent” the words “or such other amount as would be applicable pursuant to subdivision (b)”.

SECTION 95. Section 65D of said chapter 32 is hereby amended by adding in the second sentence of subdivision (d) after the words “seven percent” the words “or such other amount as would be applicable pursuant to subdivision (b)”.

SECTION 96. Section 65D of said chapter 32 is hereby amended by adding in subdivision (e) after the words “seven percent” the words “or such other amount as would be applicable pursuant to subdivision (b)”.

SECTION 97. Section 65D of chapter 32 of the General Laws, is hereby further amended by adding the following subsection: —

(i) Pursuant to the provisions of section four hundred fourteen (h) (2) of the United States Internal Revenue Code, the governmental unit from which each judge receives his regular compensation shall pick up and pay the contributions which would be payable by the judge under paragraph (b) of this section. The contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code. Contributions which are picked up pursuant to this subdivision shall be treated and identified as member contributions for all purposes of the retirement system, except as specifically provided to the contrary in this subdivision.

Contributions picked up pursuant to this subdivision shall be paid from the same source of funds used for the payment of compensation to the judge. A deduction shall be made from the judge's compensation equal to the amount of the judge's contributions picked up by the employer. This deduction, however, shall not reduce the judge's compensation for purposes of computing benefits under the retirement system pursuant to this chapter or for purposes of determining any other employee benefits. Picked up contributions shall be transferred to the “judges retirement fund” in accordance with the provisions of paragraph (b) and shall be credited to a separate fund within the individual accounts of the respective members for whom such contributions have been made in order that the amounts contributed prior to the effective date for the pickup of such contributions may be distinguished from the amounts contributed on or after the date on which the governmental employer is required by law to pick up the contributions.

SECTION 98. Said chapter 32 is hereby amended by striking out section 91A and inserting in place thereof the following section: --

*Section 91A.* Every person pensioned or retired under any general or special law for disability,



including accidental disability, shall inform the board or officer by whom he was pensioned or retired within three months of any new employment or change in employment and of any change in compensation for such employment. Such person shall in each year on or before April fifteenth subscribe under the penalties of perjury and file with the board or officer by whom he was pensioned or retired a statement, in such form as such board or officer shall prescribe, certifying the full amount of his earnings from gainful occupation during the preceding year or, in lieu of such statement, a waiver on behalf of himself, his heirs and assigns, of any such pension or retirement allowance payable to him during the year in which said waiver is filed. If such earnings exceed, or when added to his adjusted pension or retirement allowance in such preceding year exceed, his annual rate of regular compensation as defined in this section, plus the sum of five thousand dollars he shall refund his adjusted pension or retirement allowance for such preceding year or a portion thereof equal to such excess, as the case may be; and until such refund is made, his pension or retirement allowance shall be held as security therefor. For purposes of this section, regular compensation means regular compensation which would have been payable during the preceding year had the member continued in service in the grade held by him at the time he was retired. Such pensioned or retired person shall annually submit a federal W-2 form, if employed, and a federal form 1099, if self-employed, to the board or office by whom he was pensioned or retired. If such pensioned or retired person who is employed or self-employed fails to submit such federal forms, as the case may be, his pension or retirement allowance shall be held as security until such federal forms are submitted. As used in this section, the term "adjusted pension or retirement allowance" shall be construed to mean the pension or retirement allowance remaining after deduction of such part thereof as represents the actuarial equivalent of accumulated deductions at time of retirement and any additional annuity obtained by special purchase.

If any person pensioned or retired as aforesaid fails to subscribe and file on or before April fifteenth in any year the statement prescribed by this section, the board or officer by whom he was pensioned or retired, unless such board or officer finds good cause for such failure, shall withhold his pension or retirement allowance as security for any refund which such statement when filed may show to be payable under this section. Any person who files under this section a statement which is false shall make such refund as a true statement would have shown to be payable under this section, and, in addition, shall forfeit his pension or retirement allowance for such period as the board or officer by whom he was pensioned or retired shall determine.

If the office or position which such person held prior to his being pensioned or retired, or if the grade held by him at the time he was pensioned or retired, is abolished, the regular compensation payable to such person in such preceding year had he continued in service in the grade held by him at the time he was pensioned or retired shall be deemed to be the regular compensation so payable of an office or position or grade the duties of which are similar, as determined by the personnel administrator, to the office or position held by him prior to his retirement.

Any board having reason to believe that the earnings of any person pensioned or retired as aforesaid have exceeded the amount of earnings authorized under this section, may, after at least thirty days written notice to the person pensioned or retired, request the commissioner of public employee retirement for an examination of the federal and state income tax returns of such person. The commissioner shall, after giving written notice to said person retired or pensioned, file a written request with the commissioner of revenue which shall include the name, social security number and any other identifying information agreed upon pursuant to the terms of interagency agreements between the division of public employee retirement administration, the federal internal revenue service and the department of revenue authorized under section ninety-one B.

SECTION 99. Said chapter 32 is hereby further amended by striking out section 94, as most recently amended by section 16 of chapter 1012 of the acts of 1971, and inserting in place thereof the following section: —

*Section 94.* Notwithstanding the provisions of any general or special law to the contrary affecting the



non-contributory or contributory system, any conditions of impairment of health caused by hypertension or heart disease resulting in total disability or death to a uniformed member of a paid fire department or permanent member of a police department, or of the police force of the metropolitan district commission, or of the police force of the Massachusetts Bay Transportation Authority, or of the state police in the department of public safety, or of the capitol police, or of the public works building police, or to any employee of the registry of motor vehicles in the department of public works who entered the service of the registry as an investigator or examiner and performed police duty, or to any employee in the department of correction whose regular or incidental duties require the care, supervision or custody of prisoners, criminally insane persons or defective delinquents, or to any permanent crash crewman, crash boatman, fire controlman or assistant fire controlman employed at the General Edward Lawrence Logan International Airport shall, if he successfully passed a physical examination on entry into such service, or subsequently successfully passed a physical examination, which examination failed to reveal any evidence of such condition, be presumed to have been suffered in the line of duty, unless the contrary be shown by competent evidence. Evidence which may be considered to show the contrary shall include but not be limited to evidence of the presence of risk factors associated with heart disease and hypertension.

Notwithstanding the provisions of this section, no such presumption shall apply to any person first becoming a member in service after January 1, 1986 unless such person has not regularly smoked any tobacco product for five years prior to the date such disability first manifested itself.

SECTION 100. Said chapter 32 is hereby further amended by striking out section 94A, inserted by chapter 164 of the acts of 1962, and inserting in place thereof the following section: —

*Section 94A.* Notwithstanding the provisions of any general or special law to the contrary affecting the noncontributory or contributory retirement system, any condition of impairment of health caused by any disease of the lungs or respiratory tract, resulting in total disability or death to a uniformed member of a paid fire department, shall, if he successfully passed a physical examination on entry into such service or subsequent to such entry, which examination failed to reveal any evidence of such conditions, be presumed to have been suffered in the line of duty, as a result of the inhalation of noxious fumes or poisonous gases, unless the contrary be shown by competent evidence. Evidence which may be considered to show the contrary shall include, but not be limited to, evidence of the presence of risk factors associated with diseases of the lungs or respiratory tract.

Notwithstanding the provisions of this section, no such presumption shall apply to any person first becoming a member in service after January 1, 1986; unless such person has not regularly smoked any tobacco product for five years prior to the date such disability first manifested itself.

SECTION 101. Section 100 of said chapter 32 is hereby amended by adding at the end of the sixth paragraph the following sentence: —

Upon the approval of any pension pursuant to this section, the administering authority shall file such documentation with the commissioner of public employee retirement as he may require pursuant to section twenty-one. Except for the filing of such documentation, pensions awarded pursuant to this section shall not otherwise be subject to the provisions of paragraph (d) of said section twenty-one.

SECTION 102. Paragraph (a) of section 102 of said chapter 32 is hereby amended by deleting in the first sentence the words “division of insurance” and inserting in place thereof the words “division of public employee retirement administration”.

SECTION 103. Paragraph (c) of section 102 of said chapter 32 is hereby amended by deleting in the second sentence the words “nineteen hundred and eighty-one” and inserting in place thereof the words: — nineteen hundred and eighty-five.



SECTION 104. Section 5 of chapter 32A of the General Laws, as most recently amended by chapter 958 of the acts of 1977, is hereby amended by striking the words "two thousand" wherever they appear and inserting in place thereof the words: — five thousand.

SECTION 105. Section 6 of said chapter 32A, as most recently amended by said chapter 958, is hereby amended by striking the words "two thousand" wherever they appear and inserting in place thereof the words: — five thousand.

SECTION 106. Section 10 of said chapter 32A, as most recently amended by said chapter 958 of the acts of 1977, is hereby further amended by striking in the first sentence the words "two thousand dollars" and inserting in place thereof the words: — five thousand dollars.

SECTION 107. Section 10A of said chapter 32A, as most recently amended by chapter 648 of the acts of 1982, is hereby amended by striking out the first paragraph and inserting in place thereof the following paragraph: —

Each employee insured for the minimum amounts of group life and group accidental death and dismemberment insurance provided in section six may, subject to such conditions as the commission shall approve, be insured for amounts of group life insurance and group accidental death and dismemberment insurance in addition to the minimum amounts provided for in section six. An employee may be insured for additional insurance in thousand dollar incremental amounts up to an amount equal to one thousand dollars less than the employee's gross annual salary rounded down to the nearest whole thousand dollars or for an amount equal to one thousand dollars less than two times, three times, four times or five times the employee's gross annual salary rounded down to the nearest whole thousand dollars. The group insurance commission is hereby authorized to implement a system whereby such employee contributions for such insurance are made on a pre-tax basis. Notwithstanding the maximum dollar limits of the aforesaid amounts of group accidental death and dismemberment insurance and subject to such provisions of the group policy as may be provided by the commission, if a death occurs to an employee while in the performance of his duties and if such death occurs as the natural and proximate result of a robbery or attempted robbery a further additional amount of accidental death insurance shall be payable in an amount equal to three times the sum of additional group life and group accidental death and dismemberment insurance applicable to said employee insured under this section. Such additional insurance shall be issued by the carrier or carriers as determined by the commission without regard to a minimum number of eligible employees or to the provisions of chapter one hundred and seventy-five.

SECTION 108. Said section 10A of said chapter 32A is hereby further amended by striking out the word "optional" as it appears in the first sentence of paragraph five and inserting in place thereof the word: — additional.

SECTION 109. Said section 10A of said chapter 32A is hereby further amended by striking out the words "the above schedule" as they appear in the first sentence of paragraph six and inserting in place thereof the words: — this section.

SECTION 110. Said chapter 32A is hereby further amended by inserting after section 10C the following section: —

*Section 10D.* The commission shall establish a plan of disability insurance on such terms and conditions as it deems to be in the best interest of the commonwealth and its employees.

With respect to any disability insurance which is in effect for an employee there shall be withheld from the salary or wages of such employee the premium for such insurance and the commonwealth shall make no contribution to said premium. The group insurance commission is hereby authorized to implement a system whereby such employee contributions are made on a pre-tax basis.



SECTION 110A. Section 12 of said Chapter 32A, as most recently amended by chapter 268 of the acts of 1979, is hereby further amended by striking wherever they appear in the first sentence the words “two thousand dollars” and inserting in place thereof the words: — such greater amount.

SECTION 111. Said chapter 32A of the General Laws, is hereby further amended by inserting after section 16 the following section: —

*Section 17.* The commission shall, subject to appropriation, establish a plan of benefits for certain employees which shall, subject to the procedures and conditions established by the commission, reimburse these employees for eligible dental and vision expenses up to but not exceeding two hundred dollars per year. The commission shall collect and manage the moneys transferred to it for the funding of this plan of benefits and may make any legal deposit, investment or reinvestment of these moneys and any income derived therefrom. As used in this section, “employees” shall mean employees who are classified as managers in the management classification and pay plans in accordance with chapter thirty, sections forty-five and forty-six, unclassified managers who have classified positions reporting to them directly or through intermediate managers or supervisors, and incumbents of positions in the executive branch assigned to collective bargaining units but designated as confidential, and employees and members of the general court.

If an employee is not described in the preceding sentence, but the employee’s position is subsequently changed, reorganized or reclassified so as to be covered by the previous sentence, the employee holding such position will be considered an “employee” for the purposes of this section as of the date of such change.

SECTION 112. Section 4 of chapter 32B of the General Laws, as most recently amended by chapter 806 of the acts of 1975, is hereby further amended by inserting before the words “two thousand dollars” wherever they appear in lines one and two of the first paragraph the words: — at least.

SECTION 113. Said section 4 of said chapter 32B is hereby further amended by striking the second paragraph and inserting in place thereof the following paragraph: — When an employee insured under this section becomes eligible for health insurance coverage as provided in section eleven C, he may terminate by withdrawal notice, as aforesaid, his hospital, surgical, medical, dental and other health benefits provided herein, and retain his automatic group life insurance and automatic group accidental death and dismemberment insurance, as provided in this section.

SECTION 114. Section 5 of said chapter 32B, as most recently amended by said chapter 806 of the acts of 1975, is hereby further amended by adding after the word “authority” in the first sentence the following: — and shall not be less than two thousand dollars.

SECTION 115. Section 9 of said chapter 32B, as most recently amended by said chapter 806 of the acts of 1975, is hereby further amended by inserting before the words “two thousand dollars”, wherever they appear in the first sentence of the first paragraph the words: — at least.

SECTION 116. Section 9F of said chapter 32B is hereby amended by striking the section and inserting in place thereof the following: —

A county, except Worcester county, by vote of the county commissioners; a city having a Plan D or Plan E charter by majority vote of its city council; in any other city by vote of its city council, approved by the mayor; a district, except as herein provided, by vote of the registered voters of the district at a district meeting; a regional school district by vote of the regional district school committee; a veterans’ service district by vote of the district board; a health district established under section twenty-seven A of chapter one hundred and eleven by vote of the joint committee, shall provide that an employee receiving a pension or annuity allowance having retired from the governmental unit may be insured for such greater



amount of group life insurance and group accidental death and dismemberment as is determined by the government unit, in lieu of the one thousand dollars of group life insurance as provided in section nine. A town shall provide such insurance coverage if approved by vote of the board of selectmen, or by a majority of the votes cast if in the affirmative in answer to the following question which shall be printed on the official ballot: — “Shall the town provide (X) thousand dollars of group life insurance and (X) thousand dollars of accidental death and dismemberment insurance for a retired employee in lieu of one thousand dollars of group life insurance?”. Acceptance of this section as aforesaid by a governmental unit having accepted section eleven E shall hereby authorize the commission to provide such greater amount of group life insurance and such greater amount of group accidental death and dismemberment insurance, in lieu of one thousand dollars of group life insurance, to retired teachers insured under section twelve of chapter thirty-two A.

SECTION 117. Section 32A of chapter 35 of the General Laws is hereby amended by striking the fourth paragraph.

SECTION 117A. Section five D of chapter 40 of the General Laws is hereby amended by adding at the end of the first paragraph the following sentence: —

In any city, town or district which belongs to a city, town or district retirement system, all amounts appropriated pursuant to this section as added by chapter five hundred fifty-nine of the acts of nineteen hundred and seventy-seven, shall be transferred to and credited to the Pension Reserve Fund provided for in section twenty-two of chapter thirty-two. In any city, town or district which belongs to a county retirement system, all amounts appropriated pursuant to this section shall be held by the city, town or district treasurer pursuant to subdivision (9) of section twenty-two of chapter thirty-two, as added by chapter four hundred and twelve of the acts of nineteen hundred and eighty-three, anything to the contrary in this section notwithstanding.

SECTION 118. Section 5D of chapter forty of the General Laws, as most recently amended by chapter six hundred and sixty-one of the acts of nineteen hundred and eighty-three, is hereby further amended by striking out the fifth paragraph of said section 5D, and by inserting in the place thereof the following new paragraph: —

The commissioner of administration shall establish rules, regulations and procedures requiring counties, cities, towns and districts to recover employee pension costs from federal grant monies. Each spending agency of said counties, cities, towns and districts shall, at such time and in the manner as the commissioner of revenue shall prescribe, authorize and direct the treasurer to initiate such procedures as said commissioner shall establish to transfer to the pension reserve fund for the system of which such federally funded employee is a member, an amount equal to the employer's normal cost of retirement benefits, as determined by the actuary pursuant to chapter thirty-two, which are incurred as a result of said federal grant. The cost of the future pension cost liability so determined shall be recovered in cash. Expenditures for the payment of salaries to be made from any federal grant shall not be made until the full amount of such pension costs are recovered in accordance with such procedures as said commissioner shall establish. The commissioner of revenue shall, subject to the approval of the commissioner of administration, develop a schedule phasing in the full assessment of such normal costs, provided that full normal costs shall be assessed against all federal grant payrolls not later than October first, nineteen hundred and eighty-eight. If any federal granting authority refuses to allow the pension cost recovery provided for in this paragraph, the amount of any such recovery so refused, upon final adjudication of said refusal, shall be transferred from the pension reserve fund back to the spending agency.

SECTION 119. Chapter 41 of the General Laws is hereby amended by adding the following new section: —

*Section 111N.* In any city, town, or fire or water district which accepts the provisions of this section, whenever a police officer or firefighter of a city, town, or fire or water district is incapacitated for duty



because of injury sustained in the performance of his duty without fault of his own, or a police officer or firefighter assigned to special duty by his superior officer, whether or not he is paid for such special duty by the city or town, is so incapacitated because of injuries so sustained, he shall be granted leave without loss of pay for the first eighteen months of such incapacity, and for any such period thereafter that such incapacity continues but during which such employee is actively participating in a rehabilitation program pursuant to this section and for any period during which any such police officer continues to be incapacitated for duty but is required, notwithstanding such incapacity, to perform some duties other than the full duties of his position or assignment, and at a rate equal to seventy-two per cent of such pay thereafter; provided that no such leave shall be granted for any period after such police officer or firefighter has been retired or pensioned in accordance with law or for any period after a physician designated by the board or officer authorized to appoint police officers or firefighters in such city, town or district determines that such incapacity no longer exists. Within six months of the commencement of such leave and not later than four weeks from the date on which any examination is requested by the employee, a physician skilled in the particular branch of medicine or surgery involved and designated by the board or officer authorized to appoint police officers or firefighters in such city, town, or district shall conduct an initial examination to determine whether a) such incapacity still exists, b) such incapacity is likely to be permanent and total in nature, and c) whether the employee so incapacitated might become able to return to his former duties through participation in a medical rehabilitation program as described in paragraph (b) of subbdivision (5) of section 21 of chapter 32. If the physician determines that the employee might so benefit from a medical rehabilitation program described in said paragraph (b), the board or said officer shall offer to provide such rehabilitation program, to begin upon such date as the employee shall determine, and shall pay the costs of such rehabilitation program, less any benefits payable under insurance policies of the employee for such program, and less any grants otherwise available for such program. No such program shall extend longer than fifty-two weeks unless the board or said officer so approves. Any employee participating in such program may be re-examined each month during such participation, but not more frequently than once every month, to determine the status of his incapacity. No employee shall be required to participate in any rehabilitation program as a condition for receiving any amounts payable under this section, or any other reason.

All amounts payable under this section shall be paid at the same times and in the same manner as, and for all purposes shall be deemed to be, the regular compensation of such police officer or firefighter. This section shall also apply to any member of a fire department who is subject to the provisions of chapter one hundred and fifty-two if he is injured at a fire and if he waives the provisions of said chapter.

Where the injury causing the incapacity of a firefighter or police officer for which he is granted a leave without loss of pay and is paid compensation in accordance with the provisions of this section, was caused under circumstances creating a legal liability in some person to pay damages in respect thereof, either the person so injured or the city, town or fire or water district paying such compensation may proceed to enforce the liability of such person in any court of competent jurisdiction. The sum recovered shall be for the benefit of the city, town or fire or water district paying such compensation, unless the sum is greater than the compensation paid to the person so injured, in which event the excess shall be retained by or paid to the person so injured. For the purposes of this section, "excess" shall mean the amount by which the total sum received in payment for the injury, exclusive of interest and costs, exceeds the amount paid under this section as compensation to the person so injured. The party bringing the action shall be entitled to any costs recovered by him. Any interest received in such action shall be apportioned between the city, town or fire or water district and the person so injured in proportion to the amounts received by them respectively, inclusive of interest and costs. The expense of any attorney's fees shall be divided between the city, town or fire or water district and the person so injured in proportion to the amounts received by them respectively.

Whoever intentionally or negligently injures a firefighter or police officer for which he is granted a leave without loss of pay and is paid compensation in accordance with the provisions of this section shall be liable in tort to the city, town or fire or water district paying such compensation for all costs incurred



by such city, town, or fire or water district in replacing such injured police officer or firefighter which are in excess of the amount of compensation so paid.

Any city, town or fire or water district which accepts the provisions of this section shall not be subject to the provisions of Section 111F. In the event that the provisions of this section conflict with the terms of a collective bargaining agreement reached by the employer and the exclusive bargaining representative of any such employee, the terms of the collective bargaining agreement shall prevail.

In any city, town, or fire or water district accepting the provisions of this section, the terms of any collective bargaining agreement in effect immediately prior to the effective date of such acceptance shall remain in full force and effect until the expiration date of said agreement. Except to the extent expressly inconsistent with the provisions of this section, the terms and conditions of employment pertaining in any such city, town, or fire or water district relative to the provisions and implementation of section one hundred and eleven F immediately prior to the effective date of such acceptance shall remain in full force and effect unless explicitly altered through a process of collective bargaining, where the employees subject to such terms and conditions bargain collectively over the terms and conditions of employment.

SECTION 120. Chapter 59 of the General Laws is hereby further amended by inserting the following new section: —

*Section 21C½.* (a) Each year, the commissioner of revenue shall determine for each city and town which is a member of a retirement system having accepted the provisions of section 22D of chapter 32 the percent of growth in revenue for such city or town in the previous fiscal year. For the purpose of this section, "revenue" shall mean the sum of all amounts raised or received through property tax assessments, local aid, so-called, motor vehicle excise taxes, fees, and federal assistance, and the percent of growth in such revenues shall be determined by taking the difference between (i) such revenues in any one fiscal year and, (ii) the revenues in the fiscal year immediately preceding, and dividing said difference by the amount of such revenues in the later year. The difference in any such city or town between (i) the percentage of said revenue growth and (ii) the percentage of growth in payments made by such city or town to the pension fund, less any state reimbursement for cost of living adjustments or survivors' benefits pursuant to chapter 389 of the acts of 1984 for the same period shall be considered the "pension revenue gap percentage" for such city or town for that period. The product obtained by multiplying (i) such pension revenue gap percentage and (ii) the actual pension payments made less reimbursements for such period shall be considered the "pension-revenue gap" for such city or town for such period.

Not later than September 15th of each year, said commissioner shall certify to the local appropriating authority in any such city or town the pension-revenue gap for the preceding year. In any city or town having a certified pension-revenue gap greater than zero, the local appropriating authority may, by a two-thirds vote, seek voter approval to assess taxes in excess of the levy limitation in an amount equal to the certified pension-revenue gaps for the preceding fiscal year; provided that the question submitted shall be as follows:

"Shall the (city/town) of \_\_\_\_\_ be allowed to exempt from the provisions of Proposition two and one-half, so-called, the amount required to maintain the cost of public employee pension benefits as a level percentage of municipal revenues? YES ☐ No ☐";  
and provided further that said question shall be deemed to be approved if a majority of the persons voting thereon shall vote "yes".

(b) Any amounts raised under this section shall be used to defray the city or towns' pension appropriation for the year in which such amounts are raised. Amounts exempted from the tax limit under this section shall not be included in calculating the "total taxes assessed" in paragraph (a) of section 21C or the maximum levy limit in paragraph (f) of said section, but any amount so exempted and applied to the city or town's pension appropriation shall be included in the city or town's pension payments for determining the pension-revenue gap for the year in which sum amounts are so applied.

SECTION 121. Chapter 111 of the General Laws is hereby amended by inserting after section 202 the following section: —



*Section 203.* The department shall establish a program to reduce the incidence among the general public of mortality and morbidity from accidents and diseases for which risk factors can be identified. Such risk factors shall include, but not be limited to, emotional stress, lack of exercise, poor nutrition and diet, abuse of alcohol and other drugs, smoking, and exposure to toxic substances. Such diseases shall include, but not be limited to, heart disease, lung disease, cancer and stroke. The program shall educate and screen the general public and particular groups of the general public at risk with respect to particular diseases or accidents. The department shall encourage the development of programs for fitness and behavior changes, including dietary change and smoking cessation.

The department, with the cooperation of the personnel administrator and the commissioner of public employee retirement, shall develop, implement, coordinate and monitor fitness and behavior change programs, to be known as wellness programs, for public employees. Such programs shall make use of existing resources, facilities and programs whenever possible; and shall provide for access to any such programs, resources and facilities at no cost to such employees.

The department shall promulgate minimum requirements for wellness programs. Such minimum requirements may vary according to the classification of the employees whom a program is to serve. Wellness programs may be phased in over a period of years, but shall be implemented first for police officers and firefighters to whom section sixty-one A of chapter thirty-one applies and next for employees to whom paragraph (e) of subdivision (3) of section five applies. Minimum requirements for wellness programs for employees to whom said section sixty-one A and said paragraph (e) apply shall be designed to enable such employees to meet the respective health and physical fitness standards of said section and said paragraph.

**SECTION 122.** Section 21 of chapter 138 of the General Laws is hereby amended by striking clause (a) in the third paragraph and inserting in place thereof the following clause: —

(a) Sixteen and seven-tenths per cent shall be credited to the commonwealth's pension liability fund for the accumulation of assets in advance of the payment of retirement allowances and used solely for the purposes of offsetting the anticipated future cost of funding the contributory retirement systems of the state employees and teachers as defined in section one of chapter thirty-two.

**SECTION 123.** Chapter 175 of the General Laws is hereby amended by adding the following new section: —

*Section 196.* Sums for the estimated reimbursements required of the commonwealth pursuant to section 61B of chapter 31 and section 5A of chapter 32, not to exceed two million five hundred thousand dollars, as may be appropriated therefor, shall be paid to the commonwealth by insurance companies writing fire, homeowners multiple peril or commercial multiple peril policies on property situated in the commonwealth within thirty days after notice from the secretary of public safety of such estimated reimbursements. The secretary shall apportion such estimated charges among all such companies and shall assess them for the same on a fair and reasonable basis, not to exceed two-thirds of one percent of their estimated gross premiums on such insurance written on property situated in the commonwealth. The secretary shall subsequently apportion actual cost among all such companies and shall make assessment adjustments for the same for any variation between estimated and actual costs among all such companies on a fair and reasonable basis, not to exceed two-thirds of one per cent of their actual gross premium on such insurance written on property situated in the commonwealth.

**SECTION 124.** The executive office of administration and finance established under the provisions of section two of chapter seven of the General Laws shall establish a special commission for the purpose of making a study of the incidence of various kinds of cancer among police officers and firefighters, respectively, as compared with the incidence of the same kinds of cancer among the general public. Said commission shall also study the incidence of hypertension and heart disease among those



persons who are obese, as compared with the incidence of said diseases among the general public. Said commission shall report its findings, together with its recommendations, if any, including recommendations relative to the establishment of a cancer presumption, so-called, and for the exclusion from the provisions of section 94 of chapter 32 of those persons deemed to be obese, and including recommendations for standards for any such presumption or exclusion, by filing a report, together with drafts of legislation to effect such recommendations, if any, with the governor and with the clerks of the house and senate of the general court not later than October 1, 1985.

**SECTION 125.** Notwithstanding any other provision of law to the contrary, each governmental unit and free public library that picks up employee contributions pursuant to subdivision (10) of section twenty-two of chapter thirty-two of the General Laws, as inserted by section 66 of this act, shall continue to withhold federal and state income taxes based upon these contributions until the Internal Revenue Service rules that pursuant to section four hundred fourteen (h) (2) of the United States Internal Revenue Code these contributions shall not be included as gross income of the employee until such time as they are distributed.

**SECTION 126.** 1. Terms used in this section and not otherwise defined in this section shall have the meanings ascribed thereto in section one of chapter thirty-two of the General Laws.

2. Notwithstanding the provisions of chapter thirty-two or section five D of Chapter forty of the General Laws, or of any other general or special law to the contrary, any political subdivision may provide for the payment of all or any portion of its unfunded actuarial accrued liability for pension benefits, as then most recently determined by the commissioner of public employee retirement, by contracting with one or more insurance companies authorized to transact business in the commonwealth to assume and pay the same pursuant to one or more group annuity contracts or other retirement plan funding agreements, pursuant to regulations promulgated by said commissioner.

3. Any political subdivision which is authorized by law to issue bonds for one or more purposes and which determines to provide for the payment of all or any portion of its unfunded actuarial accrued liability for pension benefits in the manner authorized by paragraph 2 of this section and which has accepted the provisions of section 22D of chapter 32, or is a member of a retirement system which has accepted said section may, by two-thirds vote as defined in section one of chapter forty-four of the General Laws in the case of a city, town, or district, by majority vote of the county commissioners in the case of a county, subject, however, to prior approval by the advisory board on county expenditures of an appropriate expenditure resolution or budget or supplementary budget therefor, and by such vote or action, other than the approval of any other office, agency, board or department, as is otherwise provided by law for the issuance of bonds in the case of any other political subdivision, borrow from time to time before July first, nineteen hundred and ninety-five, such sums as may be necessary to pay the premium or other consideration required, and may issue bonds therefor, which shall bear on their face the words (Name of political subdivision) Pension Funding Loan, Act of 1985. In the case of a city, town or district, borrowing for such purpose shall be outside its limit of indebtedness as prescribed by section ten of said chapter forty-four, and in the case of any other political subdivision shall be outside the limit of indebtedness prescribed by provisions of general or special law applicable to bonded indebtedness of such political subdivision. Each authorized issue shall constitute a separate loan, and such loan shall be paid in not more than forty years from their dates, as the officer or officers authorized to issue bonds therefor shall fix, and, except as otherwise provided herein or as inconsistent with the provisions of this act, shall be subject to the provisions of law governing the issuance of bonds and notes of the political subdivision. Notwithstanding the provisions of section sixteen of chapter forty-four of the General Laws or any provision of any other general or special law to the contrary, bonds issued under authority of this



act shall be dated, may bear interest at such rate or rates, including rates variable from time to time as determined by such index, banker's loan rate or other method of determination, may be made redeemable in whole or in part before maturity at the option of the political subdivision or at the option of the holder of such debt, may be sold at such discount, at such price or prices, in such manner, either at public or private sale, and under such terms and conditions, all as determined by the officer or officers of the political subdivision authorized to issue such bonds. Notwithstanding section nineteen of chapter forty-four of the General Laws or any provision of any other general or special law to the contrary, for each issue of bonds authorized under this act, the amounts payable annually for principal and interest combined either shall be as nearly equal from year to year as is practicable or shall be arranged so as to provide for a more rapid amortization of principal, in either case as determined by the officer or officers authorized to issue the bonds. For the purpose of determining the amount of bonds issued or outstanding under this act, the amount of any bonds sold by the political subdivision at a discount shall be equal to the net proceeds thereof determined by subtracting the discount from the face amount of such bonds. Bonds issued under authority of this act may be issued in sufficient amount to pay the costs of issuance of the bonds, including the costs of obtaining a determination of the political subdivision's unfunded actuarial accrued liability for pension benefits.

4. Sums raised by the issuance of bonds hereunder shall be credited to the Pension Reserve Fund provided for in section twenty-two of chapter thirty-two of the General Laws, and shall be invested only in group annuity contracts or other retirement plan funding agreements issued by one or more life insurance companies authorized to transact business in the commonwealth.

5. For the purposes of ensuring the fiscal stability of retirement systems subject to the provisions of chapter 32, the commissioner of the division of public employee retirement administration shall promulgate regulations, subject to the provisions of clause (a) of section 50 of chapter 7, for the contracting provided for in paragraph (2) of this section.

**SECTION 127.** (a) Notwithstanding the provisions of chapter thirty-two of the General Laws, or of any other general or special law to the contrary, the commonwealth may provide for the payment of all or any portion of its unfunded actuarial accrued liability for pension benefits, as then most recently determined by the commissioner of administration or by an actuary, as the commissioner of administration may from time to time appoint, by contracting with one or more insurance companies authorized to transact business in the commonwealth to assume and pay the same pursuant to one or more group annuity contracts or other retirement plan funding agreements.

(b) To meet the expenditures necessary in carrying out the provisions of this section, including without limitation the payment of the premium or other consideration required and the cost of obtaining a determination of the amount of the unfunded actuarial liability as of the most recent practicable date, the state treasurer shall, upon request of the governor, issue and sell bonds of the commonwealth to an amount to be specified by the governor from time to time, but not exceeding in the aggregate the sum of one billion, five hundred million dollars. All bonds issued by the commonwealth, as aforesaid, shall be designated on their face Pension Funding Loan, Act of 1985, and shall be issued for such maximum term of years not exceeding twenty-five years as the governor shall recommend to the general court, pursuant to Section 3, Article LXII of the Amendments to the Constitution of the Commonwealth. All interest and payments on account of principal of such obligations shall be payable from the General Fund. Bonds issued under the authority of this section and the interest thereon shall, notwithstanding any other provisions of this act, be general obligations of the commonwealth.

(c) The state treasurer may borrow from time to time on the credit of the commonwealth such sums of money as may be necessary for the purposes of meeting payments authorized by this act, and may issue and renew from time to time notes of the commonwealth therefor, bearing interest at such times and at such rates as shall be fixed by the state treasurer. Such notes shall be issued and may be renewed one or more times for terms not exceeding one year as the governor may recommend to the general court in accordance with section 3 of Article LXII of the Amendments to the Constitution of the Commonwealth,



but the final maturities of such notes, whether original or renewal, shall not be later than June thirtieth, 2015. Notes and interest thereon issued under the authority of this section, notwithstanding any other provisions of this act, shall be general obligations of the commonwealth.

(d) Sums raised by the issuance of bonds hereunder shall be credited to the Commonwealth's Pension Liability Fund provided for in section twenty-two of chapter thirty-two of the General Laws, and shall be invested only in group annuity contracts or other retirement plan funding agreements issued by one or more life insurance companies authorized to transact business in the commonwealth.

**SECTION 128.** Notwithstanding the provisions of section 23, subdivision (2A) of chapter thirty-two of the General Laws, the pension reserves investment management board shall operate under the annual budget adopted by said board for the fiscal year 1986 until such time as said budget or any other annual or supplemental budget request filed by the board is approved in accordance with the provisions of said subdivision.

**SECTION 129.** The commissioner of public employee retirement is hereby authorized to promulgate rules and regulations detailing the procedures to be followed by retirement systems in implementing the provisions of subdivision (10) of section twenty-two of chapter thirty-two of the General Laws, as inserted by section 66, of this act. Said rules and regulations shall be promulgated in accordance with the provisions of paragraph (a) of section 50 of chapter 7 of the General Laws.

**SECTION 130.** Notwithstanding the provisions of the definition of "commonwealth's funding schedule" as appearing in section one of chapter thirty-two of the General Laws, or the provisions of section twenty-one (3) or twenty-two C of said chapter, no update to the commonwealth's funding schedule required to by said section twenty-two C shall include in the calculation of the annual appropriations required to meet said schedule the amounts, if any, by which the actual investment return on the assets of the state employees' retirement fund, the teachers' retirement system, and the commonwealth's pension liability fund exceed the return which would have been realized under the interest assumption utilized in the actuarial evaluation used to establish the most recently approved commonwealth funding schedule; provided that any such amounts may be included in establishing a funding schedule pursuant to said section twenty-two C in any year in which the required actuarial valuation indicates that there is no remaining unfunded commonwealth pension liability; provided further that if in any funding period said actual investment return is less than said assumed return, the amount required in the funding schedule next established pursuant to section twenty-two C shall be increased in the first year of such schedule by the amount of such shortfall.

**SECTION 131.** The special committee on contributory retirement established under the provisions of an order adopted by the house of representatives on April 4, 1982 and by the senate on April 27, 1982, and most recently revived and continued by the provisions of an order adopted by the house of representatives on March 25, 1985 and by the Senate on April 23, 1985, is hereby authorized and directed to conduct a study and investigation relative to the effect of possible mandatory participation in the federal social security system by state, municipal, county, and district employees in the Commonwealth. In the course of its investigation and study the committee shall consult with the representatives of the Massachusetts municipal association, employee organizations representing public safety employees in the commonwealth, employee organizations representing non-public safety employees in the commonwealth, the retirement law commission, the commissioner of administration, and organizations representing the interests of retired public employees in the commonwealth.

Said committee shall be provided with quarters in the state house or elsewhere, may hold hearings, may travel within the commonwealth and may expend such sums as may be appropriated therefor. Said committee shall report to the general court the results of its investigation and study, and its recommendations, if any, together with drafts of legislation necessary to carry such recommendations into effect, by filing the same with the clerk of the house of representatives on or before the last Wednesday in September, nineteen hundred and eighty-five.





